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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

AGENDA ID # 16573
RESOLUTION E-4886
September 13, 2018

R E S O L U T I O N

Resolution E-4886. Pacific Gas and Electric agreements with California High-Speed Rail Authority and Caltrain's Peninsula Corridor Joint Powers Board for electric system interconnection work.

PROPOSED OUTCOME:

- Approves agreements between California High-Speed Rail Authority ("CHSRA") and Pacific Gas and Electric Company ("PG&E"), and Caltrain Peninsula Corridor Joint Powers Board ("Caltrain") and PG&E, with certain exceptions.
- Finds that certain provisions of two agreements addressing cost allocation principles raise factual and legal issues that must be considered in a formal proceeding.
- Orders PG&E to file an application with the Commission addressing cost allocation issues no later than December 31, 2018.

SAFETY CONSIDERATIONS:

- The agreements require that all work shall conform to all applicable laws, regulations, and Good Utility Practice.

ESTIMATED COSTS:

- PG&E has previously estimated interconnection costs for CHSRA at \$737 million and for Caltrain at \$228 million. A portion of these costs will be allocated to PG&E ratepayers.

ADVICE LETTERS ("AL") RESOLVED:

- PG&E AL 5046-E, (CHSRA) filed 4/5/2017
- PG&E Advice Letter 5139-E (Caltrain), filed 9/1/2017

SUMMARY

This Resolution addresses PG&E Advice Letter 5046-E filed on April 5, 2017, including substitute sheets received on September 12, 2017, which seeks approval of five agreements with CHSRA. Advice Letter 5046-E replaces Advice Letters 4570-E and 4570-E-A in full.

This Resolution also addresses PG&E Advice Letter 5139-E filed on September 1, 2017, which seeks approval of Supplement #3 to the Master Agreement with Caltrain.

GO 96-B requires utilities to submit certain agreements with government agencies, like CHSRA and Caltrain, for Commission approval through a Tier 3 Advice Letter, which requires disposition by Resolution. See, e.g. GO 96-B, General Rule 9.2.3,¹ and Energy Industry Rule 5.3(8). The Advice Letters are effective pending disposition, subject to Commission determination about the reasonableness of the services provided by PG&E to the government agencies.

The CHSRA and Caltrain projects (“Projects” or “Rail Projects”) require PG&E to perform both “Relocation Work” necessary to relocate PG&E electric and gas utility facilities which could interfere with the Projects, and “Interconnection Work” which requires upgrades or additions to PG&E’s infrastructure (including both lines and substations) necessary to deliver electric power to the final Projects.

This Resolution approves six agreements to perform portions of that Interconnection Work – with specific exceptions to certain cost allocation provisions of two of the agreements. Those six agreements – which require PG&E to complete technical reports and identify the scopes of work required for the Rail Projects – were fully executed by all the parties and filed by PG&E with Advice Letters 5046-E and 5139-E pursuant to GO 96-B.²

¹ GO 96-B was recently revised and prior Rule 8.2.3 has become Rule 9.2.3.

² At this time, PG&E does not seek approval for any agreements addressing Relocation Work and Relocation Work is therefore not addressed by this Resolution.

This Resolution does not approve any specific cost allocation or any cost allocation principles or methodologies to be applied in future proceedings, including, without limitation, the following cost allocation provisions contained in two of the agreements:

- CHSRA Standard Form Agreement HSR16-56 - Section 5.1(b) (cost allocation process) and 5.3(c) (reimbursement of costs)
- Caltrain Supplement #3 – Section 4(c) (reimbursement of costs)

This Resolution finds that these cost allocation provisions – which have not yet been implemented – raise factual, legal, and policy issues that must be considered by the Commission in a formal proceeding pursuant to GO 96-B, Rule 5.2 because of their potential impact to PG&E customers. This disposition balances the public interest in ensuring the Rail Projects are promptly constructed with the Commission’s duty to ensure that the costs are reasonably allocated between ratepayers and the government agencies.

This Resolution also finds that provisions in those two agreements limiting a party’s ability to comment on a cost allocation filing by any other party are inconsistent with the public interest and purport to usurp the Commission’s authority. Those provisions are therefore not approved by this Resolution.³

The Projects’ cost impacts on PG&E customers could be significant. PG&E has estimated interconnection costs for the CHSRA work at \$737 million and for the Caltrain work at \$228 million.⁴ A July 2018 PG&E data response to the Commission’s Energy Division reflects that PG&E anticipates that 39% of the Caltrain interconnection costs could be allocated to PG&E customers, but has no

³ See, e.g., CHSRA Standard Form Agreement HSR16-56 - Section 5.5 (support in filings); and Caltrain Supplement #3 – Section 6.

⁴ See CAISO Board Approved transmission plans for 2017 and 2018 at pages 166 and 91, respectively. The 2017 Plan is available at <http://www.caiso.com/planning/Pages/TransmissionPlanning/2016-2017TransmissionPlanningProcess.aspx>; the 2018 Plan is available at <http://www.caiso.com/planning/Pages/TransmissionPlanning/2017-2018TransmissionPlanningProcess.aspx>.

estimate for the allocation of the CHSRA interconnection costs between CHSRA and PG&E customers.

Among other things, the cost allocation provisions that this Resolution does not approve provide that the parties to the agreements would determine the preliminary cost allocation for the work in consultation with the CAISO. See, e.g., CHSRA HSR 16-56, Section 5.1(b). While the provisions contemplate that such cost allocations will be approved by this Commission or FERC, this is after the fact; there is no opportunity for PG&E ratepayers to participate in and impact the earlier determinations reached by PG&E and the parties.

To ensure transparency into these cost-allocation issues in a timely manner, and to protect ratepayer, CHSRA and Caltrain interests, this Resolution orders PG&E to file a “standalone” application in the near future, and in no event later than December 31, 2018, for approval of the cost allocation provisions in CHSRA HSR-16-56, Caltrain Supplement #3, and any future agreements for the Interconnection Work with these governmental agencies, identifying the:

1. Specific cost allocation principles it proposes to apply to the Interconnection Work, including the basis for those principles, and how they would apply to specific facilities;
2. Laws, regulations, or other precedent that support its proposals; and
3. Laws, regulations, or other precedent that determine which facilities and equipment are subject to the Commission’s jurisdiction for cost allocation purposes, and which are subject to FERC’s, and how they are properly applied as to the most currently available CHSRA and Caltrain scopes of work.

These issues must be addressed before any cost allocation can occur. The Commission recognizes that the precise nature and function of the Project facilities will have an impact on any proposed cost allocation, and that the scopes of work for the Projects is not final. Consequently, it would be premature for the application to seek approval of specific costs of the final scopes of work required to electrify the Rail Projects. The application can be supplemented to provide such information as it becomes available.

Some parties have expressed concern that the application process could delay the work PG&E must perform for the Projects. The Commission recognizes, among other things, that both Rail Projects will advance California's legislatively mandated climate goals and should be implemented as expeditiously as possible. The Commission also understands that work has already commenced (and in some cases, has been completed) under the agreements, consistent with Rule 9.2.3 of GO 96-B, which permits utilities to begin work for Government Agencies prior to obtaining Commission approval of such agreements.

In ordering PG&E to file an application to permit the Commission to address cost allocation issues for the Rail Projects, the Commission does not seek to affect the scope of work performed by PG&E, or delay in any manner PG&E's work on the Rail Projects. Indeed, the agreements are clear that PG&E's ability to perform the Interconnection Work required under the agreements is entirely independent of the cost allocation issues. First, the approved agreements require both Caltrain and CHSRA to pay all PG&E costs up front such that PG&E is assured compensation for the work independent of cost allocation issues. Second, all parties agree that cost allocation issues should be addressed in a later proceeding. Consequently, there is no reason for PG&E to delay work on the Projects, or to delay execution of additional agreements needed to facilitate work on the Projects. Specifically, we expect that PG&E, Caltrain, and CHSRA will complete negotiations and execute the necessary supplemental agreements, so that construction of facilities may begin, and even be completed, before the Commission issues a decision either determining the cost allocation principals that should apply, or approving a proposed cost allocation. Consequently, the requirement to file an application addressing the cost allocation issues is not a reason for PG&E to delay its construction of the CHSRA or Caltrain facilities.

This Resolution rejects PG&E's proposal that the cost allocation issues raised in these two agreements are best addressed in a PG&E General Rate Case ("GRC") before the Commission or in a transmission owner rate case before the Federal Energy Regulatory Commission ("FERC"). These proceedings, which address a multitude of complex issues, may make participation difficult for parties only interested in the cost allocation issues raised by these agreements. Further,

PG&E's July 2018 data response to Energy Division ("PG&E July 2018 DR") confirms that neither of these proceedings would occur before 2022.⁵

Because of the magnitude of costs that would potentially flow into PG&E's ratebase as a result of the allocation proposed, this Resolution proposes an application to be filed no later than December 31, 2018 in order to quickly bring transparency to the underlying facts and legal issues presented by the cost allocation issues. There is currently a lack of understanding regarding the facts and law. For example, it is unclear which work performed under the agreements would be subject to the Commission's jurisdiction in a GRC, and which would be subject to the jurisdiction of the Federal Energy Regulatory Commission ("FERC"); which cost allocation principles should be applied; and whether the FERC cost allocation approval process clearly understood.

A standalone application made in the near future to specifically address the cost allocation issues raised by these two large Rail Projects will provide necessary clarity on these issues, which will benefit all ratepayers. It will also provide the Commission an opportunity to consider the cost allocation issues sooner, which could influence future FERC consideration of such issues. PG&E currently estimates it would file at FERC for the Caltrain Project one or more years *before* PG&E files the GRC that would include its cost allocation proposal (e.g., 2022 FERC Transmission Owner Case). For the CHSRA Project, PG&E suggests that approval of its proposed cost allocations would be sought across several FERC rate cases. See Table 1, which is based on the PG&E July 2018 DR, and is subject to change, according to PG&E.

Table 1. In-Service Dates Requested and Corresponding Rate Case Expected by PG&E

| | Current Customer Requested In- Service Date | CPUC General Rate Case | FERC Transmission Owner Case |
|----------|---|---------------------------|------------------------------------|
| Caltrain | 2021 | 2023 | 2022 |
| CHSRA | 2022 | 2023 | 2023 |

⁵ Energy Division Data Request No. 001, issued to PG&E on July 10, 2018 ("PG&E July 2018 DR"), Q&A 2.a. The PG&E July 2018 DR is Attachment A, hereto.

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|--|------------------|------------------|------------------|
| <i>Test Track</i> | | | |
| CHSRA <i>Central Valley Alignment</i> | 2024 | 2026 | 2025 |
| CHSRA <i>Future alignments</i> | To be determined | To be determined | To be determined |

BACKGROUND

California High-Speed Rail Project

CHSRA is responsible for planning, designing, building, and operating the first high-speed rail system constructed in the United States. The system would run from San Francisco to Los Angeles/Anaheim (Project Phase 1, about 520 miles) at speeds capable of more than 200 miles per hour. The system will eventually extend to Sacramento and San Diego (Phase 2) and operate along 800 miles of rail. The CHSRA Project's Initial Operating Segment is planned to extend from San Jose to Bakersfield. PG&E plans to interconnect with CHSRA Project electrical infrastructure at ten sites: Site 4 (Gilroy) through Site 13 (Bakersfield). Testing of the completed high-speed rail infrastructure and upgraded PG&E infrastructure is expected to occur in 2026/2027 along the Gilroy–San Jose/San Francisco and Madera–Bakersfield rail segments (CHSRA Project Draft 2018 Business Plan). Additional project information is available at: <http://www.hsr.ca.gov>.

Relocation Work Filings (CHSRA Project)

In October 2016, the Commission approved three agreements between PG&E and CHSRA to address utility Relocation Work required to pursue the CHSRA Project. See Resolution G-3498 (October 13, 2016). That resolution provided that relocations of PG&E, SCE, and SoCalGas facilities to accommodate the CHSRA Project will be performed at CHSRA's expense, with the exception of credits CHSRA is entitled to pursuant to the California High-Speed Rail Act. See Public Utilities Code Section 185500 et seq. Cost allocation for electric Interconnection Work required to provide power the CHSRA Project has not been addressed in a filing to the Commission prior to Advice Letter 5046-E (2017), which is the subject of this Resolution.

Caltrain Peninsula Corridor Electrification Project

The Caltrain Peninsula Corridor Electrification Project, the Project at issue in the agreements approved in this Resolution, is part of the larger Caltrain Modernization Program, which will electrify and upgrade the performance, efficiency, capacity, safety, and reliability of Caltrain's commuter rail service. This transformation of Caltrain facilities from diesel fuel to electric power advances state policy goals to reduce carbon emissions in the transportation sector.

PG&E plans to interconnect with Caltrain Project electrical infrastructure at two sites: Site 1 (San Francisco) and Site 3 (San Jose). Final system testing of the completed Caltrain infrastructure and upgraded PG&E infrastructure along the rail alignment is planned to begin by 2021 (Caltrain November 2017 Fact Sheet). Additional Project information is available at:
<http://www.caltrain.com/projectsplans/CaltrainModernization/Modernization/PeninsulaCorridorElectrificationProject.html>

Interconnection Work Filings (Caltrain Project)

To date, the Commission has adopted two resolutions approving agreements between PG&E and Caltrain related to Interconnection Work necessary for PG&E to provide power to the Caltrain Project: Resolutions E-4811 (December 15, 2016) and E-4830 (April 27, 2017).⁶ While Section 8 of the Master Agreement between PG&E and Caltrain addresses cost allocation, Resolution E-4811 did not carve out that provision based on the understanding that Caltrain was obligated to pay 100 percent of costs incurred by PG&E for all work associated with the approved agreements. However, the Commission did reject PG&E's proposal to allow future agreements with Caltrain to be submitted as information-only filings in lieu of the required Tier 3 advice letters based on concerns regarding cost allocation issues. See Resolution E-4811 at page 7.

The provisions of the Master Agreement, combined with Supplement #3, which is the subject of this Resolution, together provide for the application of

⁶ Resolution E-4811 approved a Master Agreement with PG&E for Interconnection Work and Supplement #1 to the Master Agreement. Resolution E-4830 approved Supplement #2 and Supplement #5 to the Master Agreement.

preliminary cost allocation principles similar to those proposed for the CHSRA Project.

Supplement #4 (not yet filed) will cover final design, engineering, and construction of upgrades to two PG&E substations required to power the Caltrain Project. At its February 1, 2017 meeting, the Peninsula Corridor Joint Powers Board of Directors overseeing the Caltrain Project authorized execution of Supplement #4 to the Master Agreement, but it has not been finalized and submitted for Commission approval. According to PG&E data response to Energy Division, Supplement #4 is expected to be the final supplement to the Master Agreement. A draft of Supplement #4 was provided to Energy Division on July 20, 2018.

The Commission has not yet received a filing from PG&E regarding the Relocation Work required for the Caltrain Project.

NOTICE

Notices of PG&E Advice Letters 5046-E and 5139-E were published in the Commission's Daily Calendar. PG&E states that copies of its advice letters were distributed in accordance with Section 4 of General Order 96-B to parties shown on a distribution list attached to both of the advice letters.

PROTESTS

Advice Letter 5046-E and Advice Letter 5139-E were not protested.

DISCUSSION

Overview

As described in the Summary above, PG&E must perform both Relocation Work and Interconnection Work to facilitate the completion of the CHSRA and Caltrain Projects. This Resolution addresses agreements regarding Interconnection Work that were filed by PG&E with Advice Letters 5046-E and 5139-E. This Resolution does not address Relocation Work.

GO 96-B requires utilities to submit certain agreements with government agencies, like CHSRA and Caltrain, for Commission approval through a Tier 3 Advice Letter, which requires disposition by Resolution. See, e.g. GO 96-B, General Rule 9.2.3, and Energy Industry Rule 5.3(8). Rule 9.2.3 also permits utilities to begin work for Government Agencies prior to obtaining Commission approval of such agreements, and the Commission understands that such work has already commenced.

Pursuant to Rule 9.2.3, PG&E filed five executed interconnection agreements with CHSRA and one executed interconnection agreement with Caltrain for Commission approval. PG&E has already completed a series of complex technical studies and planning activities required by those agreements, and those studies and activities have been paid for in full by CHSRA and Caltrain.

CHSRA Agreements

Table 2 below identifies and summarizes each of the five PG&E/CHSRA agreements for Interconnection Work approved in this Resolution. The first four agreements require PG&E to complete technical reports to identify the scopes of work required for PG&E to interconnect and provide electrical power to the CHSRA Project. The last agreement, HSR 16-56, addresses the allocation between PG&E and CHSRA of the engineering and permitting work required for the interconnections.

Table 2. Summary of Agreements between California High Speed Rail Authority and Pacific Gas and Electric Company for Interconnection Work Filed in Advice Letter 5046-E

| Agreement Number | Topic | Value* | Paid by CHSRA | Signed | Term |
|------------------|--|----------------|---------------|---------------|------------------------|
| HSR 10-10 | Preliminary engineering work and initial studies/reports | \$500,000 | 100% | December 2012 | Through June 2013 |
| HSR 14-37 | Updated technical study reports | \$3.26 million | 100% | June 2015 | Through September 2017 |
| HSR 14-37a1 | Additional studies for additional interconnection sites, updates HSR 14-37 | \$1.71 million | 100% | July 2015 | Through September 2017 |
| HSR 14-37a2 | Updates to contractual language in HSR 14-37a1 | none | 100% | December 2016 | Through September 2017 |
| HSR 16-56 | Engineering and permitting | \$36 million | 100% | January 2017 | Through January 2019 |

In November 2017, CHSRA updated Energy Division by email regarding the status of the Interconnection Work, and its rigorous review of PG&E's expected facility upgrade requirements. CHSRA stated that pursuant to HSR 14-37 (and its two supplements), PG&E ran technical studies to determine the system requirements to serve the CHSRA Project. All costs were paid by CHSRA. Upon PG&E's completion of these studies, CHSRA (along with Commonwealth, a third-party expert hired by CHSRA) reviewed the studies and provided PG&E with a thorough review of each study, detailing alternative interconnection and network/facility upgrade proposals, approaches, modifications and/or suggested improvements (the "Additions"). PG&E consulted with CHSRA to document all of the Additions PG&E agreed to incorporate into its proposed final system

design. These reviews and discussions lead to a significant reduction in the scope of work initially proposed by PG&E.

CHSRA Agreement HSR 16-56 Engineering and Design Reports for Points of Interconnection and Final Permitting

Regarding the fifth agreement (HSR 16-56), PG&E has committed to complete the same design and engineering work for the required network upgrades customarily provided to similarly-situated customers. See Advice Letter 5046-E. CHSRA design responsibilities include line extensions and other facilities required to enable interconnections that are not located on property owned by PG&E. As a general rule, PG&E will have design responsibility for substation and network upgrades, and CHSRA will have design responsibility for everything else. The facilities addressed in HSR 16-56 will ultimately be owned by PG&E, whether designed by PG&E or CHSRA.

In coordination with PG&E's review and oversight, CHSRA will develop one Engineering and Design Report for each *Point of Interconnection*—each of the ten points at which the CHSRA Project electric system will interconnect with the PG&E electric system between Gilroy and Bakersfield and the interconnection point for the CHSRA Project's heavy maintenance facility. The heavy maintenance facility has not yet been sited but is expected to be constructed along the Central Valley rail alignment.

Each Engineering and Design Report will detail and advance the design of the CHSRA design responsibility items and may be used to support CHSRA environmental approvals and submittal for issuance of any required General Order 131-D permits. The Engineering and Design Reports will include: plans, maps, schematics, project descriptions, project schedule, equipment and material lists, cost estimates and other information needed to ensure timely permitting, procurement, and construction.

Caltrain Supplement #3 (filed) and Supplement #4 (pending) to the Master Agreement

Supplement #3 addresses PG&E's engineering, design, some material procurement and preliminary site preparation activities for required interconnection to PG&E's East Grand Substation in South San Francisco and

FMC Substation in San Jose. Supplement #4 is expected to further address the same work activities, but would also specify the cost allocation to ratepayers anticipated by PG&E. It is unclear at this time whether Caltrain will agree to the cost allocations identified by PG&E in Supplement #4. A significant difference between the Caltrain agreements and CHSRA Agreement HSR 16-56, described above, is that PG&E would have all design and engineering responsibilities under the Caltrain agreements, whereas CHSRA will perform such work under its agreement with PG&E.

Cost Allocation Issues Raised by CHSRA HSR 16-56 and the Caltrain Agreements

While both CHSRA and Caltrain are obligated to initially pay for all Interconnection Work performed by PG&E, both CHSRA HSR 16-56 and Caltrain Supplement #3 provide that those payments may be subject to reimbursement from PG&E to Caltrain and CHSRA at a later date based on the ultimate cost allocation applied. Among other things, those agreements provide that:

- Cost allocation will be determined later, by the parties, pursuant to high-level cost allocation principles referenced, but not specifically identified, in the agreements, and in consultation with the CAISO, as needed;⁷
- PG&E's Electric Rules 15 and 16, which address cost allocation will not apply; and
- CHSRA and Caltrain will "reasonably support any [cost allocation] filings by PG&E at the FERC and the CPUC."⁸

The agreements do not:

- Identify with any specificity any cost allocation principles, precedents, rules, or regulations, with the exception of certain PG&E Electric Rules;⁹

⁷ See CHSRA HSR 16-56, Section V (Cost Allocation, Cost Estimates, and Payment) and Caltrain Supplement #3, §§ 4(c), 5 and 6, and Caltrain Master Agreement, § 8.

⁸ CHSRA HSR 16-56, § 5.5 and Caltrain Supplement #3, § 6.

⁹ PG&E similarly failed to provide such information in response to the following July 2018 Energy Division data request: "Identify, discuss, and provide citations to the most current versions of any and all ...[s]tate or federal laws, rules, regulations, tariffs, or legal principles that apply to, address, or could be applied to determine the appropriate

- Identify any proposed cost allocation ratios;
- Identify a clear timeline for PG&E payment of any reimbursements to CHSRA or Caltrain;
- Provide any opportunity for ratepayers to be represented in deliberations regarding the appropriate cost allocation until the issues are presented in a PG&E GRC at the Commission or a FERC transmission owner rate case; or
- Explain which cost allocation issues will be addressed by FERC and which will be addressed by the Commission.

Cost Estimates for the Interconnection Work

PG&E presented preliminary cost estimates for the Interconnection Work during the CAISO's Transmission Planning Process ("TPP"). It estimated \$228 million for the Caltrain Project in September 2016 and \$737 million for the CHSRA Project in September 2017.

In a July 2018 data response to Energy Division, PG&E explained that it "does not have a new estimate for CHSRA work at this time ..." ¹⁰ It identified the September 2017 CHSRA estimate as an AACE "level 4" estimate with a 20% contingency. ¹¹ In the same data response PG&E explained that the "current

cost allocation between CHSRA, Caltrain, and PG&E customers [and applicable] ... PG&E standards, procedures, rules, or strategies." PG&E referred to certain Electric Rules in its Commission-filed tariff, Special Facilities Agreement, and "FERC decisions," but stated, broadly, "PG&E does not have an existing tariff governing this unique work. ... Caltrain and the CHSRA have very specific service requirements which differ from typical service provided. They have requested single-phase service with which will include generation, dual feeds from each PG&E substation, dual feeders (incoming lines) to each PG&E substation, and interconnection at specific substations along their route." PG&E noted that there may be specific CPUC or FERC decisions relevant to cost allocation, but it but it failed to specifically identify any such decisions. PG&E July 2018 DR, Q&A 7.

¹⁰ *Id.*, Q&A 3.b.

¹¹ *Id.* at Q&A 3.c. "AACE" is the Association for the Advancement of Cost Engineering. AACE estimates identify a range of expected accuracy – both up and down – based on

estimate” for the Caltrain Interconnection Work associated with Supplements #3 and Supplement #4 (draft version provided to Energy Division on July 10, 2018) was \$173.9 million, and that the estimate is an AACE “level 4” estimate with a 29% contingency.

Cost Allocation Estimates

As noted above, the agreements filed for approval do not specifically identify any anticipated cost allocation ratio. Those issues were left to be decided at a later date. The draft version of Supplement #4 and the PG&E July 2018 DRs indicate that PG&E anticipates cost allocation to ratepayers of roughly 39% for the Caltrain Interconnection Work. PG&E states that it anticipates that Caltrain will be responsible for 61% of the cost associated with its Interconnection Work.¹²

As of the July 2018 data response from PG&E, PG&E could not identify the cost allocation that it anticipates would apply to the CHSRA Project because “design has not progressed to the point of applying the cost principles [to] the expected facilities.”¹³ PG&E stated to Energy Division staff in 2017 that it expects to amend agreement HSR 16-56 in 2018. Cost allocation negotiations between PG&E and CHSRA for the Interconnection Work will continue through 2018 and may extend past 2019.

One factor that has complicated the design responsibility and cost allocation negotiations thus far has been the CHSRA and Caltrain requirement for two transmission-level feeds. Among other things, it is unclear whether such facilities would be Commission or FERC jurisdictional, and which cost allocation rules would apply. In sum, cost allocation is expected to be specific to the existing infrastructure available at each interconnection site, the site location, and other factors still being negotiated. Because cost allocation may vary depending

the class of the estimate. A copy of an AACE Cost Estimate Classification Matrix included in PG&E testimony submitted to FERC in October 2017 is attached hereto as Attachment B.

¹² *Id.* at Q&A 3.f.

¹³ *Id.* at Q&A 3.f.

on the scope of work, final cost allocations may change as the scopes of work change.

CHRSRA explained in a November 21, 2017 comment letter on Advice Letter 5139-E that technical differences between the CHSRA and Caltrain projects will dictate the extent of work and facilities required for interconnection to PG&E electrical facilities. CHSRA states that these differences will affect the fair allocation of Interconnection Work costs, but will be documented to support the later cost allocation determination.

The Cost Allocation Provisions of the Agreements Should Not Be Approved and an Application to Address Cost Allocation Should Be Required

General Order 96-B identifies matters appropriate for Advice Letters and Formal Proceedings. See Rules 5.1–5.3 and 7.5.1. The Advice Letter process provides a quick and simplified review of the types of utility requests that are not expected to be controversial or to raise important policy questions.

The cost allocation provisions of CHSRA HSR 16-56 and Caltrain Supplement #3 raise important policy questions. Given the potential magnitude of the total costs to be allocated – which are already estimated to be approximately a billion dollars across all parties – it is imperative that ratepayers have an opportunity to weigh in earlier, rather than later, in the cost allocation process. Currently, neither agreement contemplates a role in those negotiations for the Commission or PG&E ratepayers. Rather, once both sides agree on an appropriate cost allocation, the Commission – which is charged with representing ratepayer interests – would be limited to considering whether the parties’ proposed cost allocation for facilities under the Commission’s jurisdiction is appropriate. To the extent the cost allocation issues are FERC-jurisdictional, the Commission’s role would be as a ratepayer representative in a FERC transmission owner rate case. As such, the Commission and/or PG&E ratepayers would only be able to weigh in after the parties have agreed to a cost allocation, and only as a small part of a larger PG&E rate case.

In addition to raising important policy questions which would benefit from transparency, the cost allocation provisions raise a number of material issues of fact and law which cannot be resolved through the Advice Letter process. See

GO 96-B, Rules 5.1–5.3 and 7.5.1. For example, neither the agreements nor PG&E data responses identify with any specificity the cost allocation principles which would be applied to determine cost allocation. Nor is there any clarity regarding which Interconnection Work would be subject to the Commission’s jurisdiction for cost allocation purposes, and which would be subject to FERC’s. Such jurisdictional issues are likely to depend upon disputed facts, such as the range of specific and potential functions of each type of facility constructed and equipment installed.

For all of these reasons, the Advice Letter process is not appropriate for approval of the cost allocation provisions contained in the two agreements; these issues should be addressed in a Formal Proceeding.

This Resolution orders that PG&E file a “standalone” application in the near future, and in no event later than December 31, 2018, for approval of the cost allocation provisions in CHSRA HSR-16-56, Caltrain Supplement #3, and any future agreements for the Interconnection Work with these governmental agencies, identifying the:

1. Specific cost allocation principles it proposes to apply to the Interconnection Work, including the basis for those principles, and how they would apply to specific facilities;
2. Laws, regulations, or other precedent that support its proposals; and
3. Laws, regulations, or other precedent that determine which facilities and equipment are subject to the Commission’s jurisdiction for cost allocation purposes, and which are subject to FERC’s, and how they are properly applied as to the most currently available CHSRA and Caltrain scopes of work.

To the extent information is available at the time PG&E is prepared to file the application, the application should distinguish between the CHSRA and Caltrain Projects and identify the allocations proposed for each party’s Interconnection Work and the legal and factual basis for the allocations.

California Environmental Quality Act

CHSRA is the California Environmental Quality Act (“CEQA”) Lead Agency for the CHSRA Project, and Caltrain is the Lead Agency for the Caltrain Project. For the CHSRA Project, the Federal Railroad Administration is the Lead Agency under the National Environmental Policy Act (NEPA). For the Caltrain Project, the Federal Transit Authority completed an Environmental Assessment and Finding of No Significant Impact. The Caltrain electrification corridor is also identified in CHSRA Project environmental documentation.

The respective lead agencies will complete all required environmental reviews, public notices, documentation, and monitoring activities for the Interconnection Work pursuant to CEQA and NEPA. Please refer to the respective project websites for environmental review status; those websites are listed in the Background section of this Resolution.

COMMENTS

Public Utilities Code Section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding. The 30-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, draft of the resolution was first served on parties for comments on June 4, 2018 and PG&E, CHSRA, and Caltrain timely submitted comments. In addition, Caltrain, PG&E, and CHSRA submitted supplemental comments on July 23, 2018, August 1, 2018, and August 2, 2018, respectively.

All comments received on the first Draft Resolution are summarized below in chronological order. Updates were made throughout the Draft Resolution based on the comments received.

All comments on this revised Draft Resolution must be served on all parties by **September 4, 2018** and no reply or supplemental comments will be accepted.

Caltrain Comments on June 29, 2018

Caltrain emphasizes that irrespective of the cost allocation issue, the Rail Project can and must remain on schedule. Caltrain requests that any application to determine the cost allocation for its Interconnection Work be separate from cost allocation determinations made for CHSRA.

PG&E Comments on July 2, 2018

PG&E objects to the standalone application process to address cost allocation and the determination to withhold approval for CHSRA HSR 16-56 and Caltrain Supplement #3 because of the cost allocation provisions contained in those agreements. PG&E states that an application process separate from its traditional GRC filings to the Commission and transmission owner rate cases before FERC is duplicative and unnecessary.¹⁴ PG&E also claims that a separate application process could significantly delay or increase costs to both Rail Projects. Among other things, PG&E observes that the process creates “regulatory risk” for the parties to proceed with the Interconnection Work without an agreement in place.¹⁵

PG&E requests that the Commission approve both agreements and defer to the GRC and FERC filings that will be made later to address cost allocation issues.

CHSRA Comments on July 2, 2018

CHSRA proposes that agreement HSR 16-56 should be approved and cost allocation should be determined in the future by the CPUC and FERC in accordance with the respective jurisdictions of the two agencies. CHSRA comments that CPUC only has jurisdiction over the costs of PG&E facilities with voltages under 50 kV.

CHSRA observes that PG&E’s cost estimates for its Project have changed since PG&E’s estimate was submitted to the CAISO in 2017. Specifically, changes in rail-project load details or demand forecasts for impacted areas within PG&E’s service territories could result in elimination or deferral of currently planned

¹⁴ PG&E July 2, 2018 Comments at 2.

¹⁵ PG&E July 2, 2018 Comments at 3-4.

network upgrades. Updated cost details, however, have not been provided by CHSRA or PG&E.

Caltrain Supplemental Comments on July 23, 2018 (Attachment C to this Resolution)

Caltrain observes that the parties agree there should be an application process for PG&E to seek approval of the cost allocation for the Interconnection Work. The disagreement is the form of the application. PG&E prefers that cost allocation be addressed in its GRC and FERC rate case applications, whereas Caltrain prefers a standalone application process to address cost allocation. Caltrain argues that a standalone application is appropriate because: (1) waiting for a PG&E GRC will unnecessarily and prejudicially delay resolution of the cost allocation issues beyond 2024; (2) Caltrain's participation in a GRC to address this one issue would impose unnecessary and significant costs on Caltrain; and (3) the Commission and parties will be unable to devote sufficient attention to these issues in a GRC, which already must address a very long list of issues. It is also possible that the issues would be subsumed in a larger black box settlement as a result of including them in a GRC.

Caltrain explains that because it is required to pay all PG&E costs prior to any cost allocation, a standalone application process "should not delay PG&E's construction and the intended January 2022 start date for the Caltrain Modernization Project."¹⁶

Caltrain requests that the draft resolution be modified to approve PG&E Advice Letter 5139-E with the express condition that approval does not constitute approval of any specific cost allocation or cost allocation principles or methodologies to be applied in future proceedings. Caltrain also requests that the draft resolution be modified to provide a schedule and more details regarding the application that PG&E should file to address cost allocation issues, and that any application proceeding be expedited by using whatever streamlining procedures are available.

¹⁶ Caltrain July 23, 2018 Supplemental Comments, p. 3.

PG&E Supplemental Comments, July 30, 2018 (Attachment D to this Resolution)

PG&E disagrees with aspects of Caltrain's supplemental comments. PG&E states that reimbursement would not be achieved more quickly through a separate application process. Caltrain's comments, however, referred to resolution of cost allocation and not reimbursement. PG&E maintains that its GRC and FERC rate case processes would provide the quickest and most appropriate reviews.

CHSRA Supplemental Comments, August 2, 2018 (Attachment E to this Resolution)

CHSRA agrees with Caltrain's supplemental comments that since the agreements that are the subject of Advice Letters 5046-E and 5139-E require either Caltrain or CHSRA, respectively, to compensate PG&E initially for the cost it incurs in performing the work called for by the agreements, the work can and should go forward without the need to first decide the details of cost allocation. CHSRA also agrees that the two advice letters should be approved.

CHSRA clarifies, however, that cost allocation will be fact specific to each facility and location and the functions to be performed. The reason that the cost allocation proceeding might take the form of an application, rather than a less formal procedure, is to allow for evidentiary hearings to resolve disputed issues of fact. The facts developed in an application on cost allocation for the Caltrain Project facilities will not be identical to those developed for CHSRA Project facilities. CHSRA asserts that the cost allocation principles developed for the Caltrain Project should not set a precedent for the CHSRA Project.

RESPONSE TO COMMENTS

PG&E's concerns regarding moving forward with the Interconnection Work without having agreements in place are addressed through revisions that approve all the proposed agreements, but withhold approval of the cost allocation provisions of certain agreements.

The comments and supplemental comments by Caltrain correctly observe that cost allocation for the projects at issue in this Resolution are not appropriately deferred to PG&E's GRC or transmission owner rate cases at FERC. Revisions have been made to more clearly reflect this point.

In response to PG&E and Caltrain concerns regarding potential delays caused by the application process, the resolution was revised to clarify that the application process will be limited to cost allocation issues and should not impact the Caltrain and CHSRA Project scopes of work or schedules.

Revisions to this Resolution explain that there is no reason for PG&E to impose delays on the Projects as a result the requirement that PG&E file a standalone application regarding cost allocation issues. This is because both CHSRA and Caltrain have agreed to pay either as invoiced by PG&E or in advance for all Interconnection Work. Even if construction commences, and subsequently some aspect of the Interconnection Work is deferred or cancelled (including general CHSRA or Caltrain project delays), CHSRA and Caltrain would still be responsible for all costs. As PG&E affirmed in the July 2018 DR, PG&E has no obligation to reimburse CHSRA or Caltrain any amount unless and until the interconnection facilities are fully operational and the appropriate regulatory agency has authorized reimbursement.¹⁷ Therefore, PG&E will have the funds necessary to construct any and all facilities to fully electrify the CHSRA and Caltrain projects, and cost allocation to PG&E ratepayers can be determined separately without impacting project schedules. Further, the parties have already agreed that cost allocation issues will be addressed at a later time. For all of these reasons, it is clear that PG&E's ability to perform the Interconnection Work and the issues of cost allocation are completely independent of each other. Consequently, and given the policy importance of these projects, PG&E should continue to work quickly and collaboratively with CHSRA and Caltrain to ensure that the necessary interconnection facilities are timely constructed as required by the Rail Project schedules.

Finally, in response to Caltrain's comments, revisions have been made to more specifically identify the contents of the application and when it must be filed.

¹⁷ See Caltrain Master Agreement, Section 8, and CHSRA agreement HSR 16-56, Section V. See also PG&E July 2018 DR, Q&A 8.

FINDINGS

1. This Resolution addresses six agreements for Interconnection Work filed by PG&E with Advice Letter 5046-E (five agreements with CHSRA) and Advice Letter 5139-E (one agreement with Caltrain) pursuant to General Order 96-B, Rule 9.2.3 and Energy Industry Rule 5.3(8), for services to government agencies. Utility Relocation Work is not addressed by these Advice Letters.
2. General Order 96-B, Rule 9.2.3 permits utilities to provide service to Government Agencies prior to obtaining Commission approval.
3. CHSRA agreements HSR 10-10, HSR 14-37, HSR 14-37a1, and HSR 14-37a2 do not discuss cost allocation to PG&E ratepayers.
4. High level cost allocation principles referred to in agreements CHSRA HSR 16-56 and Caltrain Supplement #3 purport to establish rules for how costs, in general, would be allocated to PG&E ratepayers. The high level principles appear to be similar for both projects.
5. None of the agreements assign specific costs to PG&E ratepayers at this time. However, the agreements identify that at least some of the costs for both Projects will be assigned to PG&E ratepayers.
6. Under the agreements – as confirmed by PG&E’s July 2018 DR – CHSRA and Caltrain are responsible for all Project costs until cost allocation to PG&E ratepayers is decided at a later date, even if construction has started and the scope of work later changes. PG&E ratepayers would only be responsible for costs once the interconnection facilities are fully operational.
7. PG&E presented preliminary cost estimates for the Interconnection Work during the CAISO’s TPP. It estimated \$228 million for the Caltrain Project in September 2016 and \$737 million for the CHSRA Project in September 2017. These estimates may change based on future Rail Project load details and demand forecasts for impacted areas within PG&E’s service territories.
8. The cost allocation provisions in CHSRA HSR 16-56 and Caltrain Supplement #3 – which have not yet been implemented – raise factual, legal, and policy issues that must be considered by the Commission in a formal proceeding pursuant to GO 96-B, Rule 5.2 and because of their potential impact to PG&E customers.

9. Because of the magnitude of the costs involved, the cost allocation provisions of CHSRA HSR 16-56 and Caltrain Supplement #3 raise important policy questions.
10. The provisions in CHSRA HSR 16-56 and Caltrain Supplement #3 limiting a party's ability to comment on a cost allocation filing by any other party are inconsistent with the public interest.
11. Cost allocation negotiations between PG&E and Caltrain for the Interconnection Work agreements are expected to conclude sooner than those between PG&E and CHSRA.
12. Cost allocation negotiations between PG&E and CHSRA for the Interconnection Work are expected to continue through 2018 and may extend past 2019.
13. One factor that has complicated the design responsibility and cost allocation negotiations thus far has been the CHSRA and Caltrain requirement for two transmission-level feeds.
14. Cost allocation is expected to be specific to the existing infrastructure available at each interconnection site, the site location, and other factors still being negotiated. Because cost allocation may vary depending on the scope of work, final cost allocations may change as the scopes of work change.
15. Cost allocation issues for the Projects at issue here are not appropriately addressed in a general rate case at the Commission, or in a transmission owner rate case at FERC. Such proceedings address a multitude of complex issues and may make participation difficult for parties only interested in the cost allocation issues raised by these agreements. In addition, the PG&E July 2018 DR confirms that neither its GRC or the FERC proceedings would occur before 2022.
16. There is currently a lack of clarity regarding the facts and law that would apply to the cost allocation for these Projects, including which work performed under the agreements would be subject to the Commission's jurisdiction in a GRC, which would be subject to FERC jurisdiction, and what cost allocation principles should be applied. Such jurisdictional issues are likely to depend upon disputed facts, such as the range of specific and

potential functions of each type of facility constructed and equipment installed.

17. Given the magnitude of costs that could be added to PG&E's ratebase, thereby increasing PG&E rates, it is appropriate to require PG&E to file an application with the Commission to address the cost allocation issues raised by CHSRA HSR 16-56 and Caltrain Supplement #3.
18. An application would provide transparency into the cost allocation process and ensure that ratepayers have an opportunity to participate in the cost allocation process.
19. The agreements' cost allocation provisions also raise a number of material issues of fact and law which cannot be resolved through the Advice Letter process. See GO96-A, Rules 5.1–5.3 and 7.5.1.
20. Neither the agreements nor PG&E data responses identify with any specificity the cost allocation principles which would be applied to determine cost allocation.
21. It is reasonable to require PG&E to file an application for approval of the cost allocation provisions in CHSRA HSR-16-56, Caltrain Supplement #3, and any future agreements for the Interconnection Work with these governmental agencies, identifying:
 - (1) The specific cost allocation principles it proposes to apply to the Interconnection Work, including the basis for those principles, and how they would apply to specific facilities;
 - (2) The laws, regulations, or other precedent that support its proposals; and
 - (3) The laws, regulations, or other precedent that determine which facilities and equipment are subject to the Commission's jurisdiction for cost allocation purposes, and which are subject to FERC's, and how they are properly applied as to the most currently available CHSRA and Caltrain scopes of work.
22. There is no reason for the application process to delay PG&E's execution of the agreements necessary for the Interconnection Work, PG&E's fulfillment of its work responsibilities under the agreements, or construction and operation of the Rail Projects.

23. To ensure that the Projects are not delayed as a result of the application process, it is reasonable to require PG&E to proceed with all design and construction activities pending disposition of the standalone cost allocation application.
24. CHSRA is the CEQA Lead Agency for the CHSRA Project and Caltrain is the CEQA Lead Agency for the Caltrain Project. CHSRA and Caltrain will complete all required environmental reviews, public notices, documentation, and monitoring activities for the Interconnection Work pursuant to CEQA.
25. It is reasonable to permit PG&E to submit new agreements or amendments to existing agreements with either California High-Speed Rail Authority or Caltrain's Peninsula Corridor Joint Powers Board for the work associated with the Projects through a Tier 2 Advice Letter provided that the agreements do not address, in any manner, cost allocation issues.
26. It is reasonable to require that if PG&E finds, at any time, that a new agreement or an amendment to an existing agreement with either CHSRA or Caltrain for work associated with the Projects would result in costs to ratepayers, it should seek approval in a formal proceeding.
27. It is reasonable to require that PG&E not seek to recover costs for the Projects in either Commission or FERC-established rates until the Commission has issued a final non-appealable order regarding the cost allocation issues in response to the PG&E application ordered herein.
28. It is reasonable to make the Commission's Alternative Dispute Resolution process available to the parties.

THEREFORE IT IS ORDERED THAT:

1. Agreements HSR 10-10, HSR 14-37, HSR 14-37a1, and HSR 14-37a2 between PG&E and the California High-Speed Rail Authority filed with Advice Letter 5046-E are approved in their entirety.
2. Agreement HSR 16-56 between PG&E and the California High-Speed Rail Authority filed with Advice Letter 5046-E is approved with the exception of the provisions addressing cost allocation issues.

3. Supplement #3 to the Master Agreement between PG&E and the Caltrain's Peninsula Corridor Joint Powers Board filed with Advice Letter 5139-E is approved with the exception of the provisions addressing cost allocation issues.
4. This Resolution does not approve any specific cost allocation or any cost allocation principles or methodologies to be applied in future proceedings, including, without limitation, the following cost allocation provisions contained in two of the agreements:
 - CHSRA Standard Form Agreement HSR16-56 - Sections 5.1(b) (cost allocation process), 5.3(c) (reimbursement of costs), and 5.5 (support in filings); and
 - Caltrain Supplement #3 - Sections 4(c) (reimbursement of costs) and 6 (JPB support)
5. PG&E shall file an application for approval of the cost allocation provisions in CHSRA HSR-16-56, Caltrain Supplement #3, and any future agreements for the Interconnection Work with these governmental agencies, as soon as practicable and in no event later than December 31, 2018 identifying:
 - (1) The specific cost allocation principles it proposes to apply to the Interconnection Work, including the basis for those principles, and how they would apply to specific facilities;
 - (2) The laws, regulations, or other precedent that support its proposals; and
 - (3) The laws, regulations, or other precedent that determine which facilities and equipment are subject to the Commission's jurisdiction for cost allocation purposes, and which are subject to FERC's, and how they are properly applied as to the most currently available CHSRA and Caltrain scopes of work.
6. PG&E shall not seek to recover costs for the Projects in either Commission or FERC-established rates until the Commission has issued a final non-appealable order regarding the cost allocation issues in response to the PG&E application ordered herein.
7. PG&E shall proceed with all coordination, planning, design, construction, and electrification activities associated with the CHSRA and Caltrain

Interconnection Work pending disposition of the standalone cost allocation application.

8. New agreements or amendments to existing agreements between PG&E and either California High-Speed Rail Authority or Caltrain's Peninsula Corridor Joint Powers Board for the work associated with the Rail Projects may be submitted through a Tier 2 Advice Letter provided that the agreements do not address, in any manner, cost allocation issues.
9. The Commission's Alternative Dispute Resolution process will be made available to the parties.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on September 13, 2018; the following Commissioners voting favorably thereon:

ALICE STEBBINS
Executive Director

DRAFT

ATTACHMENT A

PG&E Data Response to Energy Division (July 20, 2018)

THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

ENERGY DIVISION DATA REQUEST NO. 001

DRAFT RESOLUTION E-4886/ADVICE LETTERS 5046-E & 5139-E

Issued to Pacific Gas and Electric Company on July 10, 2018

Due Within Five Business Days on July 17, 2018

GENERAL INSTRUCTIONS

Please find below data requests from Energy Division staff of the California Public Utilities Commission (CPUC).

Please provide PG&E's response in electronic form to:

| | |
|---------------|-----------------------------|
| Rob Peterson | robert.peterson@cpuc.ca.gov |
| Simon Hurd | simon.hurd@cpuc.ca.gov |
| Traci Bone | traci.bone@cpuc.ca.gov |
| Leuwam Tesfai | leuwam.tesfai@cpuc.ca.gov |
| Geneva Looker | g.looker@wrassoc.com |
| Lonn Maier | Lonn.Maier@cpuc.ca.gov |
| Jack Mulligan | jack.mulligan@cpuc.ca.gov |

We request full responses to this data request within five business days.

Objections: If you object to any of portion of this data request, please submit specific objections as soon as possible.

Assertions of Privilege: If you assert any privilege, please provide within five business days a privilege log listing all information you claim is privileged and the following information for each such claim: a summary of the purpose and subject of the information withheld, the source of the information, the date of the information, the author(s), and all persons with access to the information.

Assertions of Confidentiality: If you assert confidentiality for any of the information provided, you should provide a specific explanation of the basis for each such assertion. Such assertions will be carefully scrutinized and may not be upheld absent a strong showing of the need for confidentiality.

Form of Response: In responding to each request please restate the text of the request prior to providing the response, and provide the name of the person(s) answering the request, the title of such person(s), and the name and title of the person they work for. With respect to each document produced, identify the number of the data request and question number that the document is responding to.

Definitions: The terms "document," "documents," or "documentary material" include, without limitation, the following items, whether in electronic form, printed, recorded, or written or reproduced by hand: reports, studies, statistics, projections, forecasts, decisions, and orders, intra-office and interoffice communications, correspondence, memoranda, financial data, summaries or records of conversations or interviews, statements, returns, diaries, calendars, work papers, graphs, notebooks, notes, charts, computations, plans, drawings, sketches, computer printouts, summaries of records of meetings or conferences, summaries or reports of investigations or negotiations, opinions or reports of consultants, photographs, bulletins, records or representations or publications of any kind (including microfilm, videotape, and records however produced or reproduced), electronic or mechanical or electrical records of any kind (including, without limitation, tapes, tape cassettes, discs, emails, and records) other data compilations (including without limitation, input/output files, source codes, object codes, program documentation, computer programs, computer printouts, cards, tapes, discs and recordings used in automated data processing, together with the programming instructions and other material necessary to translate, understand, or use the same), and other documents or tangible things of whatever description which constitute or contain information within the scope of these data requests.

These data requests do not diminish or excuse any pending written or oral data requests to you.

We expect you to respond to these data requests with the highest level of fullness and candor.

If you have any questions or concerns regarding the foregoing, please feel free to contact Rob Peterson at robert.peterson@cpuc.ca.gov or (916) 823-4748.

CONTEXT FOR DATA REQUEST

Thank you for meeting with Energy Division staff last Monday, July 2, 2018 ("Meeting") to discuss PG&E's opposition to the portion of Resolution E-4886¹ ("Resolution") that requires PG&E to file an Application with the Commission to explain the cost allocation principles it intends to follow regarding the electric infrastructure work it is performing on behalf of both the California High Speed Rail Authority ("CHSRA") and Caltrain. The Resolution explains that an Application is required before the Commission can approve two of the proposed agreements because, among other things, those two agreements establish precedent for how costs, in general, would be allocated to PG&E ratepayers.² The Resolution explains that such determinations cannot be made through the Advice Letter process, and it requires PG&E to file an application that:

[I]dentifies and discuss[es] all relevant PG&E or CAISO transmission tariffs, and state or federal laws, or other legal principles, that address cost allocation of transmission work requested by others, and how or whether those principles should apply for the proposed agreements. The application should also provide a current estimate for the total costs anticipated to be incurred under both agreements, and the Association for Advancement of Cost Engineering contingency range those estimates are based on, and the specific contingency included in the estimate.³

To be clear, our intention is not to interfere in any manner with the pace of the work proposed for the Caltrain and CHSRA projects. We are aware of the significance they pose with respect to state policy objectives.

However, we remain concerned about the cost allocation for the work—what will CHSRA be obligated to pay for, what will Caltrain be obligated to pay for, and what will be put into PG&E's rate base to be paid for by PG&E customers.

PG&E has not substantively addressed this concern, which cannot be addressed through an Advice Letter process and is why the Resolution would require that PG&E fully address it by filing an Application.

The concern arises because PG&E has been unclear about the cost allocation it intends to propose for the two rail projects, and the initial estimated ratepayer costs of both projects are significant—approximately \$737 million for CHSRA and approximately \$228 million for Caltrain as publically reported in PG&E presentations at CAISO stakeholder meetings. Although cost negotiations between PG&E and the rail agencies continue, and the cost estimates may be reduced, in the long run, we note that in our experience,

¹ Resolution E-4886 addresses the following PG&E Advice Letters: (1) 5046-E filed on April 5, 2017, including substitute sheets received on September 12, 2017, which seeks approval of five agreements with CHSRA; and (2) 5139-E filed on September 1, 2017, which seeks approval of Supplement #3 to the Master Agreement with Caltrain.

² Resolution at page 3, first three paragraphs.

³ Resolution at page 12 (emphases added).

PG&E's **actual costs** for large-scale projects are typically *significantly higher* than the PG&E estimate.

We understand that it is PG&E's position that only a small portion of the costs for these projects are expected to be subject to the CPUC's exclusive jurisdiction and that PG&E believes approximately 90% or more of those costs will be subject to the Federal Energy Regulatory Commission's ("FERC") jurisdiction. We also understand that PG&E proposes to address what it considers to be the CPUC-jurisdictional costs in its General Rate Case (GRC) at the CPUC and that it proposes to address what it considers to be the FERC-jurisdictional costs in a Transmission Owner rate case at FERC.

PG&E's proposal to wait until its rate cases to address cost-allocation issues appears to leave PG&E with the ability to negotiate independently with CHSRA and Caltrain regarding cost allocation between those entities and PG&E's ratepayers, to perform or substantially perform the work, and only then present a case for what portion of the costs should be allocated to PG&E ratepayers. Among other issues:

- This type of after-the-fact review appears to be inconsistent with FERC precedent, which supports customer involvement in the early phases of such work.
- PG&E appears to have minimal incentive to minimize costs for either the rail agencies or PG&E ratepayers.

Based on the foregoing and our Meeting, we have some follow-up questions.

DATA REQUESTS

Question 1

Please explain whether you agree or disagree with any of the Energy Division staff understandings set forth above in the section "**Context for Data Request.**"

Answer 1

This response does not address every statement made above in the "Context for Data Request" description ("Context") provided above by the Energy Division. Instead, this response addresses, at a high level, the statements made above and provides clarification where needed.

First, in several areas, the Energy Division raises issues that PG&E addressed in its comments on Draft Resolution E-4886 ("Draft Resolution"). For example, the Energy Division states that "[these] two agreements establish precedent for how costs, in general, would be allocated." As PG&E explained in its comments on the Draft Resolution, the agreements at issue "do not seek to resolve or substantively address

cost allocation issues.”⁴ PG&E will not repeat the statements made in its comments and instead incorporates them by reference.

Second, PG&E is not taking a “position” on what specific costs would be reviewed by the California Public Utilities Commission (“CPUC”) or the Federal Energy Regulatory Commission (“FERC”). The jurisdictional boundary between the FERC and the CPUC is well established: transmission facilities under the operational control of the CAISO are FERC jurisdictional and costs associated with these facilities must be recovered through the appropriate Transmission Owner (“TO”) tariff filing. Similarly, distribution facilities under PG&E’s operational control are CPUC jurisdictional.

Third, the Energy Division expresses concern that the agreements “appear[] to leave PG&E with the ability to negotiate independently with CHSRA and Caltrain regarding cost allocation between those entities and PG&E’s ratepayers, to perform or substantially perform the work, and only then present a case for what portion of the costs should be allocated to PG&E ratepayers.” Utilities are currently permitted to deviate from existing tariffs under specific circumstances, such as those defined in General order (“GO”) 96-B, to provide service; however, all such deviations are subject to the review and approval of the appropriate regulatory agency. Nothing in the agreements developed with Caltrain and the CHSRA alters this long standing practice.

Fourth, the Energy Division expresses concern that “this type of after-the-fact review appears to be inconsistent with FERC precedent, which supports customer involvement in the early phases of such work.” It is unclear what FERC precedent is being referred to in this statement. In general, costs associated with new capital additions are only included in PG&E’s TO Tariff rates when the new addition goes into service. Thus, PG&E approach to address cost recovery when the new facilities contemplated by HSR 16-56 and Supplement No. 3 go into service is consistent with existing FERC processes.

Fifth, it is important to separate the reasonableness of the work PG&E is agreeing to perform for Caltrain or the CHSRA (e.g., upgrading or building a new substation) and the reasonableness of the allocation of the costs for that work. Under GO 96-B, the CPUC has determined that it is reasonable for utilities to enter into agreements for work and begin that work. The scopes of work for these projects are driven entirely by the unique requests from both Caltrain and CHSRA to interconnect into and receive power from several PG&E substations. As already noted, receiving this approval is essential to keeping these projects on schedule as it affirms that it is reasonable for PG&E to undertake the agreed upon work for these agencies.

Finally, the Energy Division expresses concern that PG&E has “minimal incentive to minimize costs.” The basis for this concern is unclear. At a minimum, these agencies have an incentive to minimize costs and will likely be vigilant in ensuring that PG&E do so throughout the process. Whatever costs are ultimately allocated to PG&E ratepayers, consistent with FERC and CPUC rules, will be subject to a reasonableness review. To the extent parties believe that PG&E was imprudent with regard to these

⁴ PG&E Comments at p. 3.

projects resulting in unreasonable costs, they can raise this issue in the reasonableness review.

Question 2

Please respond to the following:

Question 2.a

Please identify which GRC and which Transmission Owner rate case(s) PG&E intends to seek cost recovery for the customer portion of the CHSRA and/or Caltrain work?

Answer 2.a

PG&E may not have sufficient engineering completed to provide a forecast of the CPUC and FERC breakout of project costs for the work in question, and Caltrain and the CHSRA may continue to adjust timelines or work scope. However, PG&E currently expects the capital expenditures that are to be borne by PG&E customers to be incorporated as capital additions to ratebase and reviewed as part of PG&E's GRC and TO processes once the assets are placed into service.

Based on the current in-service dates requested by Caltrain and CHSRA, and work progression for the electric transmission load interconnection work, these potential dates, subject to changes, are as follows:

| | Current Customer Requested In-Service Date | CPUC General Rate Case (GRC) | FERC Transmission Owner (TO) |
|---------------------------------------|--|------------------------------|------------------------------|
| Caltrain | 2021 | 2023 | 2022 |
| CHSRA Test Track | 2022 | 2023 | 2023 |
| CHSRA Central Valley (Sites 4-12 – X) | 2024 | 2026 | 2025 |

With regard to transmission-related costs, which are recovered through FERC-jurisdictional rates through the TO proceedings, when the facility is placed into service, PG&E will file for recovery of its portion of costs in that year's TO case or annual update to the prior year's case. PG&E will reimburse either CHSRA or Caltrain for the agreed-upon portion that PG&E owes.

Question 2.b

Please estimate how much of the work PG&E anticipates will be completed at the time of those respective rate case filings.

Answer 2.b

As noted in Answer 2.a above, given the uncertainties identified, the appropriate costs are generally included in the FERC TO and CPUC GRC filings as capital additions for the year the facilities are placed into service. PG&E expects that the projected in-service dates of these facilities will continue to change based on the schedules of Caltrain and the CHSRA.

Question 2.c

Does PG&E agree that the CPUC or FERC have the ability to modify any cost allocation agreement arrived at with CHSRA or Caltrain? If not, please explain.

Answer 2.c

The CPUC and FERC have authority over their respective jurisdictional rates, as well as the authority to review and approve the reasonableness of costs included in those rates. It is unclear what is meant by "cost allocation agreement" and, correspondingly, FERC's and/or the CPUC's ability to modify such agreements. However, as explained, both FERC and the CPUC have authority to approve rates for service that falls within their respective jurisdictions and they are responsible for ensuring that those rates are just and reasonable. In addition, PG&E has agreed with CHSRA and Caltrain that any allocation of costs is subject to CPUC and/or FERC review and approval.⁵

Moreover, CHSRA and Caltrain have both agreed to initially pay for all of the work identified in HSR 16-56 and Supplement No. 3, respectively. Reimbursement to the agencies of the portion of costs allocated to PG&E is then made as provided in Answer 8 below.

Question 3

The Resolution currently reflects that "PG&E preliminarily estimates **ratepayer costs** at \$737 million for the CHSRA Project (CAISO 2017) and \$228 million for the Caltrain Project (CAISO 2016) for the required electrical interconnection work." Please respond to the following:

Question 3.a

Is this accurate? If not, please explain.

Answer 3.a

No. These were estimates provided to the California Independent System Operator Corporation ("CAISO") for the costs of the project's interconnection-related work in

⁵ See HSR 16-56, Exhibit A, Section 5.1(b); Supplement No. 3, Section 4(c).

totality, and did not break out the anticipated split between the agencies versus PG&E's customers. Thus, the reference to "ratepayer costs" is inaccurate.

Question 3.b

Does PG&E have any new estimates for the required work, and if so, what is PG&E's current estimate of the ratepayer costs of both projects?

Answer 3.b

PG&E does not have a new estimate for CHSRA work at this time as design has not progressed. The current estimate for the Caltrain interconnection work governed by Supplement No. 3 and Supplement No. 4 is \$173.9 million.

Question 3.c

What are the Association for Advancement of Cost Engineering contingency ranges for PG&E's respective 2016 and 2017 estimates, and for its current estimates?

Answer 3.c

AACE level 5 was used for the 2016 Caltrain estimate and thus a 100% contingency was included. AACE level 4 was used for the current estimate resulting in a 29% contingency which includes risk to reflect expected-case scenario

AACE level 4 was used for the 2017 HSR estimates and thus a 20% contingency was included to reflect the expected-case scenario.

The difference in methodologies for the projects is due to the quantification of known and unknown risks associated with the work scope that was known at the time of these estimates.

Question 3.d

Please identify the specific contingency included in all estimates provided.

Answer 3.d

| Caltrain Cost Estimate | 2016 | Current |
|------------------------|--------|-------------------------|
| Estimated Project Cost | \$93M | \$82.8M |
| Risk | \$21M | \$33.1M (Risk +AACE) |
| AACE Contingency | \$114M | |
| TOTAL PROJECT COST | \$228M | \$ 115.9M |

| HSR Cost Estimate | 2017 |
|------------------------|--------|
| Estimated Project Cost | \$501M |
| Risk | \$112M |
| AACE Contingency (20%) | \$123M |
| TOTAL PROJECT COST | \$736M |

Question 3.e

Which "ratepayers" would be responsible for these costs? Both wholesale and retail ratepayers?

Answer 3.e

In general, electric transmission-related costs are recovered through FERC-jurisdictional rates. These costs would be included in PG&E's TO proceeding and paid for by customers who pay the CAISO's Transmission Access Charge. A small portion of transmission-related costs are paid for by wholesale customers through rates contained in FERC-jurisdictional contracts that pre-date the operation of the CAISO.

Distribution-related costs are recovered through CPUC-jurisdictional rates. These costs would be recovered through the GRC proceeding and be paid for by customers receiving PG&E distribution service.

Question 3.f

What portion of the costs does PG&E anticipate would be paid by CHSRA and Caltrain?

Answer 3.f

PG&E interprets this question to be specific to the interconnection work covered by the agreements in question.

PG&E does not currently have a detailed breakdown of costs for the CHSRA projects as to what will be paid by CHSRA and what will be paid by PG&E as design has not progressed to the point of applying the cost principles the expected facilities. The proposed anticipated break out provided most recently to Caltrain is that Caltrain would pay 61% percent of the costs, and PG&E 39%.

Question 4

Please identify all of the steps PG&E has taken to **minimize the cost impacts** of the work for CHSRA, Caltrain, and/or wholesale and retail PG&E customers.

Answer 4

The costs are driven by the work that is required to be performed due to the very specific reliability and capacity requests by the agencies. The interconnection work was included as part of the CAISO transmission planning process, whereby stakeholders were provided the opportunity to review the work scope and suggest modifications. For example, since the concurrence of the CAISO was provided, Caltrain and PG&E have augmented the design from a gas insulated switchgear design to an air insulated switchgear design at the FMC substation, which may provide cost savings.

Aside from PG&E's standard work procedures which include activities including, but not limited to, competitively bidding contracted work, PG&E has and is continuing to suggest design alternatives to reduce costs of both projects irrespective of cost responsibility. As two prior examples, PG&E has:

- Recommended to Caltrain that they consider a single (not dual) feed to help obviate the need for certain facility upgrades.
- Worked with the CHSRA on alternatives to its requested interconnection with PG&E's Alpaugh and Bakersfield substations, which may similarly obviate the need for certain system facility upgrades.

PG&E has estimated costs for these requests using the best available information with approximately 60% of the engineering completed, and therefore included appropriate levels of contingency as mentioned above. In order to prudently and reasonably manage costs, PG&E is handling the project with the same governance procedures as all capital work, and using total project costs as the threshold for internal review. Therefore, both projects will be reviewed all the way up to and after the PG&E Board of Directors approval to ensure cost containment and proper governance.

Question 5

During the Meeting, PG&E staff stated that the **electrical distribution work** required to power the CHSRA and Caltrain projects clearly fell under CPUC jurisdiction. PG&E stated that costs under CPUC jurisdiction for both projects are expected to be 5% to 10% of the total electrical interconnection work costs (including all costs for the transmission work). For Caltrain, PG&E stated that the costs under CPUC jurisdiction would be about \$5.2 million (5%). Please respond to the following:

Question 5.a

Is the summary above accurate? If not, please correct and explain.

Answer 5.a

The figure provided was a rough order of magnitude estimate. However, as mentioned, these estimates have not been finalized as design has not yet reached the point at which the complete work scope and all project costs are known.

Question 5.b

Does PG&E agree that the basis for CPUC vs. FERC jurisdiction is the voltage of the facility? Please explain why PG&E agrees or disagrees.

Answer 5.b.

PG&E does not agree that the basis for jurisdiction is the voltage of the facility. FERC-jurisdictional facilities are the facilities over which the CAISO asserts operational control and which provide a system-wide benefit to all transmission customers.

Question 5.c

To the extent PG&E agrees that voltage is or can be a dividing line for purposes of jurisdiction, please identify the voltages that are clearly CPUC jurisdictional and those that are clearly FERC jurisdictional and explain.

Answer 5.c

Please see above 5(b).

Question 5.d

Please identify at a high level the electrical work proposed for both CHSRA and Caltrain and provide specific examples of which work would be subject to the CPUC's cost-allocation authority and which work would be subject to FERC's cost-allocation authority (e.g., [fill in]-kV line extension from PG&E substation to traction power substation).

Answer 5.d

FERC:

- Construction of new 115kV and 230 kV switching stations
- Upgrade of existing 115kV and 230 kV substations to breaker and a half (BAAH) facilities

CPUC:

- Rearrangement of existing distribution facilities within existing substations to make room for new BAAH 230kV and 115kV facilities
- Line extensions from specific PG&E substation to the Caltrain and the CHSRA owned traction power substations

Question 5.e

Identify and explain the purpose for any electrical work under 50-kV (e.g., lighting, alarm systems, and elevators at train stations).

Answer 5.e

For the CHSRA, Electric services under 50kV have not yet been requested through PG&E's standard application process. However, PG&E expects these primary and secondary electric distribution voltage service requests for heavy and light maintenance facilities, station power, lighting, and signals to the extent the CHSRA's traction power system does not or cannot power these facilities. The requested work will fall under existing CPUC tariffs; specifically Electric Rule 15 and 16, and utilize PG&E's standard application for service.

Caltrain has requested typical electric distribution service or rearrangement of existing electric service for its signal systems, crossing arms, lighting, and other purposes at various locations along Caltrain's planned electrified corridor. These requests are utilizing PG&E's standard application for service process which falls under existing CPUC approved tariffs, specifically Electric Rule 15 and 16.

Question 5.f

Is under 50-kV work addressed within the electrical interconnection work agreements filed with the CPUC by PG&E to date (*i.e.*, the Master Agreement and Supplements 1, 2, 3, and 5)? If so, to what extent and why? Would under 50-kV PG&E lines extend to the traction power substations?

Answer 5.f

The work described above is already covered by existing CPUC tariffs, specifically Electric Rule 15 and 16, and is typical customer-requested electric service work, irrespective of voltage. As such, additional agreements are not required at this time.

Question 6

Please respond to the following:

Question 6.a

Identify how PG&E categorizes the work for CHSRA and Caltrain by Major Work Category ("MWCs"). For example, does PG&E consider all of this work to be "**Work Requested by Others**" ("WRO") in MWC 82?

Answer 6.a

Yes, at this time, all of this work is considered WRO in MWC 82 until PG&E requests recovery of costs.

Question 6.b

If any portion of the work is not WRO, please identify that work and explain why it is not and how it is categorized by MWC.

Question 6.b

See Answer 6.a.

Question 7

Identify, discuss, and provide **citations**⁶ to the most current versions of any and all:

Question 7.a

State or federal laws, rules, regulations, tariffs, or legal principles that apply to, address, or could be applied to determine the appropriate cost allocation between CHSRA, Caltrain, and PG&E customers.

Answer 7.a

In general, the allocation of CPUC-jurisdictional costs for facilities for electric customers are addressed in Electric Rules 2, 15, and 16 or in CPUC-approved agreements, such as a Special Facilities Agreement. In addition, there may be specific CPUC decisions that address the interpretation and implementation of these Electric Rules that are relevant in this case.

FERC-jurisdictional cost allocation is generally addressed in FERC decisions holding that facilities that are "network" in nature and are operationally controlled by an Independent System Operator or Regional Transmission Organization, in this case the CAISO, should be paid for by all users of the transmission system.

Collectively, these tariffs or rules work to ensure the ratepayers are not overly burdened with costs that may be more appropriately borne by a specific customer.

For example, PG&E's Electric Rule 2 (I)(3) prescribes that the cost of special facilities (facilities in lieu of or above typical service that are requested and only benefit the requester), is to be borne by the project applicant, not all ratepayers.

Question 7.b

PG&E standards, procedures, rules or strategies that apply to, address, or could be applied to determine the appropriate cost allocation between CHSRA, Caltrain, and PG&E customers. NOTE: the cited resources described in response to items 7a and 7b together are referred to as "**Cost Allocation Resources**" in 7c.

Answer 7.b

Caltrain and the CHSRA have very specific service requirements which differ from typical service provided. They have requested single-phase service with which will

⁶ Where such information is not publicly or easily available, please provide an electronic version of the document.

include generation, dual feeds from each PG&E substation, dual feeders (incoming lines) to each PG&E substation, and interconnection at specific substations along their route. PG&E does not have an existing tariff governing this unique work and has anchored its cost allocation approach in the existing tariffs described below. As stated previously, the cost allocation principles would serve as the basis for PG&E's request in the GRC or TO proceedings. PG&E's request could be modified and FERC and the CPUC are not bound by these principles.

PG&E Large Load Interconnection Process: For the interconnection of large loads, PG&E evaluates alternatives for service include the most economical means to serve, which may include service at a voltage different than what was requested or service from a different location that may be more economical to construct. PG&E was not permitted to perform such an evaluation due to the specific requirements of Caltrain and the CHSRA.

Electric Rule 2: As noted, the service voltage requested, in conjunction with the specific requirements, has resulted in the interconnection work scopes associated with the agreements in question. This scope is only required because of Caltrain and the CHSRA and, as provided previously, PG&E had not already planned to do this work as it was not necessary.⁷ As a result, PG&E believes that the required work fits into the following categories generally governed under Electric Rule 2:

- Facilities required to meet the customer request are above typical service, and / or are required only as a result of the specific service requirements
- Facilities required are for the sole use and benefit of Caltrain or the CHSRA
- Facilities required as a result of the specific requests of Caltrain and the CHSRA do not provide network benefits or incremental benefits to other ratepayers and, as a result, such costs should not be passed on to the other ratepayers

Under Electric Rule 2, a project owner that invests in special facilities may be eligible for an adjustment to its cost of ownership payments if a future customer utilizes the facilities it installed. Similarly, the project owner may be eligible for a reimbursement of part of the initial cost of the special facility if a future customer utilizes the special facilities. However, for the work scope associated with the agreements in question, no such rule or tariff exists that provides for such a process for assets that are deemed to be under FERC jurisdiction as described in 5.b.

Electric Rule 15 and Rule 16: Under both rules, typical customers pay a deposit for PG&E to begin work to ensure other ratepayers are not burdened with the costs of a project. As both Caltrain and the CHSRA, as government agencies, are prohibited from paying in advance, the agreements incorporate provisions that require payment of PG&E's actual costs on a monthly basis.

⁷ Data Response sent to CPUC from PG&E on July 22, 2017 (attached).

Electric Rule 21 and CA ISO Generator Interconnection Tariff: These tariffs generally provide for the allocation of costs in the context of generators, not load customers, and distinguish between costs that are sole borne by the project owner and those that may be borne by ratepayers if such work provides benefits commensurate with cost to all ratepayers.

For work to commence, the project owner must provide financial security that includes depositing sufficient funds into an escrow account for PG&E to use as work progresses. As both Caltrain and the CHSRA, as government agencies, are prohibited from paying in advance, the agreements incorporate provisions that require payment of PG&E's actual costs on a monthly basis. Further, as PG&E must initially finance the work prior to receiving payment of its invoices, interest will not accrue on the amounts received.

Question 7.c.

Where such Cost Allocation Resources are not applicable to all facilities required to electrify the rail projects, identify the types of electric facilities the Cost Allocation Resource could be used to address.

Answer 7.c.

The cost allocation resources need only apply to the Caltrain and CHSRA work scopes required to upgrade existing PG&E substations, construct new substations, or for upgrades required to PG&E's electric transmission system.⁸

Work scope outside of PG&E's substation is explicitly covered by existing tariffs.

Question 8

Please explain how PG&E or PG&E's ratepayers would be at **risk** should the Scope of Work for the electrical interconnection work change at any time after an electric facility is partially or fully constructed and the facility is found to no longer be needed. In this response, please address the contractual language between PG&E and CHSRA and between PG&E and Caltrain that indicates should any aspect of the electrical interconnection **work be cancelled or modified** after construction begins, the respective agency would bear 100% of the costs (e.g., HSR 16-56 Section V and Caltrain Master Agreement Section 8).

Answer 8

The Master Agreement with Caltrain and HSR 16-56 with CHSRA contain these protections to PG&E and its ratepayers in respect of scope changes:

⁸ Such work could include, but is not limited to, the reconductoring or re-rating of lines coming into an existing or new substation.

- Much of the work is performed by contractors working directly for, and paid by, Caltrain and CHSRA. PG&E's main role for this work is to ensure that the work meets PG&E's quality specifications, and the contract counterparty pays for this oversight as-invoiced. If all or part of this work were abandoned prior to completion due to a scope change or project cancellation, PG&E and its ratepayers would have no exposure.
- With respect to design and construction performed by PG&E⁹, PG&E invoices the counterparties as the work is performed, based on fully-loaded actual costs.¹⁰ If the counterparty requested a scope change, PG&E would comply and continue charging according to actual costs incurred. If Caltrain's dollar cap within the contract were exceeded as a result, PG&E is entitled to stop work prior to reaching the cap.¹¹ If CHSRA's dollar cap were exceeded, PG&E could stop work until receiving assurances of adequate funding.¹²
- The Master Agreement specifically calls out the cost of scope changes as Caltrain's sole responsibility.¹³ HSR 16-56 specifically calls out the cost of scope changes as CHSRA's sole responsibility.¹⁴

All of the above protections would only apply prior to the point at which PG&E reimburses the counterparty for property which will be incorporated into PG&E's system. Under the Master Agreement, this occurs no sooner than when CAISO has assumed control, the Electrification Project is fully tested and functional, and PG&E has been authorized by FERC and/or CPUC to recover the reimbursed amount in rates.¹⁵ Under HSR 16-56, this occurs no sooner than when the part of the High Speed Rail project being served by the applicable facilities is in service and, where applicable, CAISO has assumed control.¹⁶ After those points, PG&E ratepayers would have exposure if the applicable facility were no longer used by the rail operator, to the same extent as if any other asset in PG&E's rate base were underutilized.

Question 9

⁹ HSR 16-56 relates only to permitting and engineering; the procurement and construction piece has not yet been contracted between PG&E and CHSRA. This response assumes that financial mechanics for that subsequent contract will be the same as in HSR 16-56.

¹⁰ Master Agreement, Section 4 and Supplement No. 3, Section 4(a); HSR 16-56 Exhibit A, Section 5.1(d).

¹¹ Master Agreement, Section 5(a).

¹² HSR 16-56 Exhibit B, Sections I.D and I.E.

¹³ Master Agreement, Section 8.

¹⁴ HSR 16-56 Exhibit A, Section 5.1(d).

¹⁵ Supplement No. 3, Section 4(c).

¹⁶ HSR 16-56 Exhibit A, Sections 5.3(c)(i) and 5.3(c)(ii).

Please provide the latest draft of **Supplement #4** to the Master Agreement with Caltrain for electrical interconnection work in fully legible, electronic format (PDF or Word). Include all appendixes and addendums. Our understanding is that Supplement #4 **has not yet been signed**. We request a full copy of the latest version of the unsigned document and all appendixes and addendums without any redactions. Nothing in the documents provided shall be redacted.

Answer 9

PG&E will provide this document to Energy Division. This draft has not yet been reviewed by Caltrain but reflects what PG&E's position on how the contract should resolve and the most recent version of edits discussed between the parties on July 18, 2018.

ATTACHMENT B

AACE Cost Estimate Classification Matrix from Exhibit PGE-0038 (Gabbard Rebuttal Testimony, October 2017), page 14, FERC Docket No. 16-2320

**TABLE PGE-0038-4
AACE COST ESTIMATE CLASSIFICATION MATRIX**

| ESTIMATE CLASS | Primary Characteristic | Secondary Characteristic | | |
|----------------|--|--|--|---|
| | MATURITY LEVEL OF PROJECT DEFINITION DELIVERABLES Expressed as % of complete definition | END USAGE Typical purpose of estimate | METHODOLOGY Typical estimating method | EXPECTED ACCURACY RANGE Typical variation in low and high ranges |
| Class 5 | 0% to 2% | Concept screening | Capacity factored, parametric models, judgment, or analogy | L: -20% to -50% H: +30% to +100% |
| Class 4 | 1% to 15% | Study or feasibility | Equipment factored or parametric models | L: -15% to -30% H: +20% to +50% |
| Class 3 | 10% to 40% | Budget authorization or control | Semi-detailed unit costs with assembly level line items | L: -10% to -20% H: +10% to +30% |
| Class 2 | 30% to 75% | Control or bid/tender | Detailed unit cost with forced detailed take-off | L: -5% to -15% H: +5% to +20% |
| Class 1 | 65% to 100% | Check estimate or bid/tender | Detailed unit cost with detailed take-off | L: -3% to -10% H: +3% to +15% |

ATTACHMENT C

Caltrain Supplemental Comments (July 23, 2018)



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July 23, 2018

VIA EMAIL AND US MAIL

Energy Division
California Public Utilities Commission
505 Van Ness Avenue
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RE: Supplemental Comments of Peninsula Corridor Joint Powers Board on Draft Resolution E-4886

As requested by the Energy Division and pursuant to Rule 14.5 of the California Public Utilities Commission's ("Commission") Rules of Practice and Procedure and the letter accompanying Draft Resolution E-4886 ("Draft Resolution"), the Peninsula Corridor Joint Powers Board ("JPB" or "Caltrain") provides the following Supplemental Comments.

I. INTRODUCTION

The JPB appreciates the opportunity to submit Supplemental Comments on the Draft Resolution, which addresses two PG&E Advice Letters related to infrastructure upgrades necessary to provide electric power to major California transportation improvement projects: (a) PG&E Advice Letter 5046-E relates to the California High Speed Rail Authority's ("CHSRA") statewide high speed rail project; and (b) PG&E Advice Letter 5139-E relates to the JPB's Caltrain Modernization Project which will electrify and improve Caltrain's existing commuter rail transportation on the San Francisco Peninsula.¹

The JPB submitted initial comments on the Draft Resolution ("JPB Comments"). PG&E and the CHSRA also submitted initial comments ("PG&E Comments," and "CHSRA Comments," respectively). The JPB submits these Supplemental Comments to clarify some of its positions in light of the positions advanced in the PG&E and CHSRA Comments.

The JPB, PG&E, and CHSRA agree that: (1) cost allocation is not at issue in the pending Advice Letters; and (2) cost allocation should be decided in application procedures to be

¹ Unless indicated otherwise, all capitalized terms have the meaning given to them in the JPB Comments.

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conducted at a later date.² Based on this consensus among the parties, the JPB recommends that the Commission:

1. Approve the pending Advice Letters, but specify that such approval neither approves any specific cost allocation nor approves any substantive principle with respect to the ultimate resolution of cost allocation in subsequent proceedings;³ and
2. Direct that PG&E file a standalone application in 2018 requesting the Commission to address the cost allocation of the costs of the facilities PG&E will construct for the Caltrain Modernization Project.

II. SUPPLEMENTAL COMMENTS

A. The Commission Should Approve Advice Letter 5139-E, But Also Specify that Such Approval Does Not Approve Any Specific Cost Allocation and Does Not Approve Any Principles for Cost Allocation to Be Implemented in Future Proceedings.

The JPB Comments explained that regardless of whether the Commission adopts the Draft Resolution and requires the filing of an application to address the cost resolution issues or alternatively decides to resolve cost allocation issues through the advice letter process, it is imperative that PG&E's interconnection work for the Caltrain Modernization Project remain on schedule while the Commission develops the record it believes sufficient to ultimately determine the appropriate cost allocation.

The PG&E and CHSRA Comments agree that the Commission need not, and should not, make any determinations with respect to cost allocation in connection with its review and approval of the pending Advice Letters.⁴ Thus, there is an all-party consensus that PG&E's requests to proceed with the work set forth in the Advice Letters can, and should be, delinked from the Commission's ultimate determination of cost allocation⁵ (and such issues relating to cost allocation can best, and should, be determined in a later proceeding, as described below).

² "[T]he contracts [i.e., Supplement #3] do not seek to resolve or substantively address cost allocation issues, nor do the contracts assign costs to ratepayers." PG&E Opening Comments, at 3; *see also* CHSRA Opening Comments, at 2-3.

³ For these same reasons and subject to the same terms and conditions, the JPB would support PG&E being authorized to request approval of the non-cost allocation provisions in Supplement #4 by submission of an advice letter.

⁴ *See* PG&E Comments, at 3-4; CHSRA Comments, at 2-4.

⁵ The JPB recognizes that certain of the facilities and associated costs may be subject to Federal Energy Regulatory Commission ("FERC") jurisdiction.

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The JPB accordingly expects that PG&E will, consistent with its existing authority pursuant to G.O. 96-B, Rule 8.2.3 and the fact that the JPB is obligated to pay PG&E all costs as they “are incurred”⁶ by PG&E, timely proceed with the design and construction activities set forth in Supplement #3 (and Supplement #4 which is being negotiated) during the pendency of the application or advice letter process (i.e., the Commission’s deliberation over cost allocation should not delay PG&E’s construction and the intended January 2022 start date for the Caltrain Modernization Project).

In light of this consensus, the JPB requests that the Commission approve PG&E Advice Letter 5139-E with the express condition that its approval does not constitute approval of any (i) specific cost allocation; or (ii) cost allocation principles or methodologies to be applied in future proceedings. Moreover, the Commission should make absolutely clear that PG&E’s commencement of construction in accordance with General Order 96-B, Rule 8.2.3, while the Commission’s resolution of cost allocation remains pending, does not expose PG&E or its customers to any possible risk.⁷

As detailed further below, the JPB supports the Draft Resolution’s proposal that PG&E be ordered to file separate application process focused on the cost allocation for the Caltrain Modernization Project. The Commission should supplement the Draft Resolution to provide the parties with clear guidance as to the procedures and associated schedules through which cost allocation is to be decided.

B. The Draft Resolution Should Be Supplemented to Provide a Schedule and Greater Details with Respect to the Separate Application PG&E Should File to Determine Cost Allocation with Respect to the Caltrain Modernization Project.

The Draft Resolution finds that evidentiary hearings are necessary to resolve legal, factual, and policy issues relating to cost allocation, and that these issues may not be resolved through the advice letter process. The Draft Resolution thus orders that PG&E file an application that addresses cost allocation.⁸ The JPB agrees that issues relating to cost allocation require resolution of fact, law, and policy issues that the Commission cannot address without an evidentiary record.

PG&E concurs that an evidentiary record to be developed in an application proceeding will be necessary for the Commission to resolve cost allocation.⁹ However, PG&E rejects the

⁶ PG&E Comments at 3.

⁷ PG&E recognizes that General Order 96-B, Rule 8.2.3 “is intended to allow PG&E to commence work with a government agency [such as the JPB] pending Commission approval of the agreements.” PG&E nonetheless intimates that somehow its timely commencement of construction will cause “the parties [to] bear [some unspecified] regulatory risk.” PG&E Comments at 2.

⁸ See Draft Resolution, at 3, 12.

⁹ See PG&E Comments, at 3-4; CHSRA Comments, at 2-3.

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Draft Resolution's order that PG&E file a separate application, and alternatively proposes that the cost allocation issues should be considered as part of a PG&E General Rate Case ("GRC").¹⁰ In contrast, the JPB supports the Draft Resolution's order that PG&E timely file a standalone application to address cost allocation issues.

The JPB grounds to oppose PG&E's request that the Draft Resolution be modified such that cost allocation for the Caltrain Modernization Project be decided in a PG&E GRC include:

First, delaying resolution of cost allocation until the appropriate PG&E GRC will needlessly and prejudicially delay resolution for several years – the first GRC cycle in which PG&E can include Caltrain costs is the PG&E 2023 GRC and a decision in that GRC will likely not be issued until 2024 (i.e., 5-6 years from now).¹¹ Such a lengthy delay would be inefficient because the persons most knowledgeable regarding Caltrain cost allocation issues, including PG&E, JPB, and Energy Division staff, may no longer be available. This half-decade of delay would further harm all parties by leaving cost allocation unresolved for an extended period. In addition, some portion of the Caltrain Modernization Project costs may be assessed at FERC as early as PG&E's 2019 Transmission Owner rate proceeding, and thus under PG&E's alternative proposal the CPUC's determination would be delayed for a multi-year period after FERC's determination.

Second, requiring the JPB to participate in the PG&E GRC would impose entirely unnecessary and significant costs on the JPB which may ultimately flow through to Caltrain's customers. A typical PG&E GRC proceeding lasts over 2 years between the filing of the application and a Commission decision.¹² The JPB would need to monitor, and likely actively participate in, the multiple phases of the GRC proceedings throughout this entire period to ensure its interests were best protected (and incur otherwise unnecessary, but significant ongoing, legal and consulting costs).

Third, there are countless considerations and competing interests addressed in each PG&E GRC. At the same time, as the Draft Resolution correctly recognizes, there are distinct factual, legal, and policy issues to be resolved regarding cost allocation for the Caltrain Modernization Project. By adding Caltrain cost allocation to the already too-long list of issues to be considered in PG&E's GRC, neither the parties nor the Commission will be able to devote sufficient attention to these important cost allocation issues. Moreover, it is likely that the Caltrain Modernization Project costs would be subsumed into some type of large "black box"

¹⁰ PG&E Opening Comments, at 4.

¹¹ The Commission granted PG&E's request to delay filing of its 2020 GRC in until January 1, 2019. See PG&E Request for Extension (June 20, 2018). PG&E does not intend to include any JPB costs in its 2020 GRC. Accordingly, consideration of JPB costs will be delayed until PG&E's 2023 GRC which likely will not be decided until 2024 (i.e., two or more years after the scheduled January 2022 commencement of operations of the Caltrain Electrification Project).

¹² PG&E filed its current 2017 GRC in Application 16-06-013 in June 2016; the earliest the Commission will issue its decision is at its August 9 decision conference.

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GRC settlement on rate base and revenue requirement, over which the JPB and the interests of its customers likely would have only the most negligible input.

For all these reasons, the JPB urges that the Commission adopt the portion of the Draft Resolution that orders PG&E to file a standalone application for the singular purpose of determining CPUC-jurisdictional costs related to the Caltrain Modernization Project and to correspondingly reject PG&E's proposal that resolution of cost allocation for the Caltrain Modernization Project be delayed until 2024 or later and upon resolution of the PG&E 2023 GRC proceeding.

The Draft Resolution did not provide a time schedule for the standalone application. The JPB requests the Draft Resolution be supplemented to direct that PG&E file the standalone application in 2018 and as soon as possible after execution of Supplement #4. The Commission could then resolve cost allocation within a 6-12 month timeframe, likely providing the parties definitive guidance on the Caltrain Modernization Project cost allocation before the end of 2019 (i.e., several years before PG&E will even file its 2023 GRC application, let alone reach a Commission decision).

The Commission should further direct that the application be processed in the most efficient manner, based on the most current information available and existing circumstances. For instance, it is possible that PG&E and the JPB will ultimately agree on cost allocation and can join with other parties in a settlement that would be proposed to the Commission, or alternatively that the necessary evidentiary record can be created (and the parties' differences possibly resolved) by conducting an informal workshop.

Requiring PG&E to file an application does not, and should not, dictate that months and years be spent in responding to discovery, extended evidentiary hearings, and seemingly endless rounds of briefs.¹³ An evidentiary hearing is necessary to decide cost allocation. The application process is the lone procedural avenue which provides the Commission the evidentiary record. Nonetheless, the necessary record can be based on the assertions in the application, a settlement agreement, a workshop report, some combination of them, or other means best suited for the actual facts and circumstances.

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¹³ See PG&E Comments, at 2.

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III. CONCLUSION

For the reasons set forth above, the JPB respectfully requests that the Commission approve PG&E Advice Letter 5139-E, with the certain critical clarifications set forth above. In Appendix A, the JPB offers several new ordering paragraphs to be added to the Draft Resolution to best accomplish these changes.

Sincerely,

DAVIS WRIGHT TREMAINE LLP

/s/

Steven F. Greenwald
Patrick J. Ferguson

HANSON BRIDGETT LLP

/s/

Julie Sherman

Attorneys for the
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Draft Resolution E-4886 Service List

Appendix A

The Findings in the Draft Resolution should be revised as follows:

New Finding No. 2: “General Order 96-B, Section 8.2.3, allows utilities such as PG&E to begin construction-related activities for Government Agencies prior to making a filing seeking approval with the Commission. CHSRA and Caltrain are each such a Government Agency. PG&E has the authority to commence construction-related activities for the CHSRA and Caltrain Projects prior to filing for approval with the Commission, whether such approval is requested through the submission of an advice letter or the filing of an application.”

Revised Finding No. 12 (underlined wording is the proposed new language): “Due to the legal and policy issues raised by the proposed cost allocation, the cost allocation issues are not appropriate for disposition through the Advice Letter process and should be addressed by the Commission in an application. However, PG&E’s authority to construct the facilities for the Caltrain and CHSRA authorities is set forth in G.O. 96-B, Rule 8.2.3 and such authority to commence construction is independent of this Commission’s resolution of cost allocation issues. PG&E retains its rights and responsibilities under G.O. 96-B, Rule 8.2.3 to commence work on the Caltrain and CHSRA Projects even before submitting an application.”

New Finding No. 13: “The Caltrain Project has a scheduled operation date of January 2022. Operation of the Caltrain Project will provide substantial benefits and advance important Commission and State policies to reduce greenhouse gas emissions from the transportation sector, enhance the efficient use of electricity, and improve the reliability, customer satisfaction, and efficiency of commuter rail systems.”

New Finding No. 14: “To best ensure that the Caltrain Project commences operations in January 2022, it is necessary that PG&E commence construction-related activities for the East Grand and FMC Substations by no later than January 2019.”

New Finding No. 15: “The requirement that PG&E file applications and thereby provide the Commission the necessary record to assess cost allocation of the Project costs does not vacate or otherwise impair PG&E’s current authority under G.O. 96-B, Rule 8.2.3 to commence construction for a Government Agency even before filing the application. PG&E should continue to work collaboratively with Caltrain and this Commission to best ensure that PG&E is able to construct the facilities necessary to enable the Caltrain Project to achieve the January 2022 start date.”

The Ordering Paragraphs in the Draft Resolution should be revised as follows (new proposed language is underlined):

THEREFORE IT IS ORDERED THAT:

1. Agreements HSR 10-10, HSR 14-37, HSR 14-37a1, and HSR 14-37a2 between PG&E and the California High-Speed Rail Authority filed with Advice Letter 5046-E are approved.

2. Agreement HSR 16-56 between PG&E and the California High-Speed Rail Authority filed with Advice Letter 5046-E shall be submitted via an application. PG&E shall file its application seeking approval of CHSRA matters separately and apart from the application PG&E shall file with respect to the Caltrain Project.
3. Supplement #3 to the Master Agreement between PG&E and the Caltrain's Peninsula Corridor Joint Powers Board filed with Advice Letter 5139-E shall be submitted via an application. PG&E shall file the application seeking approval of the allocation of costs for the facilities to be constructed in accordance with Supplement #3 in 2018 and as soon as practicable after execution of Supplement #3. If possible, PG&E may combine its proposal for cost allocation relating to Supplement #3 and Supplement #4 (which is being negotiated) into one application.
4. The requirement that PG&E file an application to enable the Commission to develop the necessary record to assess cost allocation for Caltrain Project costs does not vacate or otherwise impair PG&E's current authority under G.O. 96-B, Rule 8.2.3 to commence construction-related activities for a Government Agency even before filing the application. The Commission's ultimate decision on the allocation of costs for the Caltrain Project is not a condition precedent for PG&E to commence construction-related activities necessary for the Caltrain Modernization Project. PG&E should continue to work collaboratively with Caltrain and this Commission to best ensure that PG&E is able to construct the facilities necessary for the Caltrain Project to achieve its January 2022 start date.
5. For both the California High-Speed Rail Authority and Caltrain Peninsula Corridor Electrification projects, PG&E shall not use an Advice Letter process to seek approval for interconnection work agreements that identify cost allocations to ratepayers unless so ordered by a subsequent Commission decision; provided that PG&E may use advice letters to seek approval with respect to issues for these projects which are not related to cost allocation.

ATTACHMENT D

PG&E Supplemental Comments (August 1, 2018)



Erik Jacobson
Director
Regulatory Relations

Pacific Gas and Electric Company
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P.O. Box 770000
San Francisco, CA 94177
Fax: 415-973-3582

August 1, 2018

Energy Division
Attention: Tariff Unit
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Subject: Supplemental Comments of Pacific Gas and Electric Company on Draft Resolution E-4886

Dear Energy Division Tariff Unit:

Pacific Gas and Electric Company ("PG&E") responds to the "supplemental comments" filed by the Peninsula Corridor Joint Powers Board ("Caltrain") on July 23, 2018 on Draft Resolution E-4886 ("Resolution").

PG&E does not wish to restate the arguments made in its comments filed July 2, 2018 and stands by its request that the California Public Utilities Commission ("CPUC") approve the Caltrain and California High-Speed Rail ("CSHRA") agreements in front of it, while allowing PG&E to file for cost recovery on these projects through the General Rate Case ("GRC") at the CPUC and the Transmission Owner tariff filing ("TO") at the Federal Energy Regulatory Commission ("FERC").

However, there were several aspects Caltrain's supplemental comments that require a limited response.

I. Caltrain Errs in its Reasoning that a CPUC Proceeding Will Provide the Desired Relief

Caltrain argues that a separate application would be advantageous for its project because it would result in more timely reimbursement compared to the GRC process. However, this argument effectively ignores the undisputed facts that: (1) the reimbursement date is not based on when the application is filed or decided, but the in-service date of the asset; and (2) most of the costs are FERC-jurisdictional and could not be recovered through a separate application or the GRC for that matter. PG&E briefly explains both issues below.

First, in both the CPUC-jurisdictional GRC and the FERC-jurisdictional TO filings, costs are recovered based on the in-service date of the asset in question. The rationale for this

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is simple: ratepayers should not be paying for an investment prior to receiving the promised benefit. For Caltrain, the project is scheduled to be in-service in 2022, and thus, appropriately, the CPUC jurisdictional costs for the project will be included in the 2023 GRC (which will be filed in 2022). Given that cost recovery for PG&E and thus reimbursement to the JPB would be no faster under a separate application, it is duplicative.

While likely not intended by Caltrain, the relief requested (i.e., faster reimbursement) would require the CPUC to break the longstanding principle of using the in-service date and, in effect, provide upfront ratepayer funds for the project. PG&E would be opposed to this approach and would only do so if ordered by the CPUC or FERC. PG&E imagines ratepayer groups would be equally troubled. The request that a standalone proceeding should occur prior to the asset in-service date contradicts provisions in both the Caltrain and CHSRA agreement.

Second, Caltrain seems to be under the impression that most of the costs could be allocated by the CPUC and that a separate application would lead to most of the desired reimbursement. In Footnote 5, for example, the JPB notes that "certain of the facilities and associated costs may be subject" (emphasis added) to FERC jurisdiction. The sentiment of Footnote 5 is that CPUC might allocate most or even all the costs. In actuality, the reverse is true.

FERC has exclusive jurisdiction over the recovery of transmission assets and PG&E seeks recovery through its TO filing or its annual update. The distinction between what is a "transmission asset" and what is a "distribution asset" is straightforward: assets under the control of the California Independent System Operator Corporation ("CAISO") are transmission assets and thus FERC jurisdictional; assets under PG&E's operational control are distribution assets and thus CPUC jurisdictional.

Almost all of the work covered in the Caltrain Supplement 3 agreement is work to existing transmission substations. The work has been reviewed and concurred with by the CAISO in the 2016 and 2017 Transmission Planning Processes. Once in-service, the CAISO would assume operational control and PG&E would recover the costs associated with these projects through FERC-jurisdictional rates, as required.

PG&E fails to see how a separate application for the CPUC portion of the costs would improve upon the existing GRC process and recommends the CPUC follow its typical ratemaking processes for these projects.

II. GRC and TO Filings Would Provide for the Most Expeditious Review

Caltrain paints a dire picture of the GRC process. Namely, that it would be too burdensome, requiring Caltrain to "need to monitor, and likely actively participate in, the multiple phases of the GRC proceedings" to "ensure its interests were best protected"

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throughout the process; that the "countless considerations" would distract from the proposal; and that it would be "subsumed" into a settlement.

Given that Caltrain, to PG&E's knowledge, has never participated in a GRC (or any rate case for that matter), PG&E sees this as understandable anxiety about an unfamiliar process. Below PG&E explains why the GRC process would provide the most expeditious review.

First, it is unclear why Caltrain believes that this would be a heavily litigated item, either by the Caltrain or other interveners. Once the assets are in-service, PG&E would include them in the appropriate rate case (GRC or TO). PG&E would base its request on the agreed upon principles included in its agreements; principles Caltrain signed onto. Given that the scope of work would have already been found reasonable (i.e., by being approved), the focus would be about the appropriateness of the split between Caltrain and PG&E's customers.

While allocating the costs is an important item and deserves scrutiny from the CPUC and FERC, PG&E does not see this as requiring an outsized level of review. Allocating costs between both load and generation interconnections happens constantly at both the CPUC and FERC (i.e., see Rules 15/16, Rule 21, or the Wholesale Distribution Tariff).

While each rule has differences, in general, cost allocation is based on who benefits from an asset and relies on the "but for" test. If PG&E would not have built an asset but for the customer (i.e., Caltrain or CHSRA), then the customer pays the full cost. If PG&E would have built the asset, even if triggered by the interconnection, then it would request recovery from all customers. Applying this test is fundamentally an engineering exercise and requires looking at the customer's request in light of the relevant electrical and system requirements.

Second, PG&E's overall revenue requirement and any settlement agreement has no bearing on Caltrain. As stated, PG&E would request recovery of a certain amount from its customers based on the cost allocation principles. Only the CPUC or FERC may modify the level of reimbursement, by modifying PG&E's proposal. If the 2023 GRC were to be settled, the result of that settlement could not and would not alter PG&E's numerous agreements with Caltrain.

Finally, PG&E believes that Caltrain is underestimating the work a separate application requires for the CPUC, PG&E and Caltrain. Given the workload at the CPUC there is no guarantee that a separate application would be timely processed and would likely take the 12 to 18 months.

III. Conclusion

For the reasons mentioned above, PG&E recommends that the Commission reject Caltrain's call for a separate application to recover CPUC-jurisdictional costs.

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on Draft Resolution E-4886

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Respectfully submitted,

/S/

Erik Jacobson
Director, Regulatory Relations

cc: Edward Randolph, Director, Energy Division
Rob Peterson, Analyst, Energy Division
Lonn Maier, Program and Project Supervisor, Energy Division
Jonathan Seager, Director, State Infrastructure Projects, PG&E
Dave Couch, Project Delivery Director, Caltrain, SamTrans
James Andrew, Assistant Chief Counsel, California High-Speed Rail Authority

ATTACHMENT E

CHSRA Supplemental Comments (August 2, 2018)

GOODIN,
MACBRIDE,
SQUERI & DAY, LLP

August 2, 2018

VIA ELECTRONIC MAIL (EDTARIFFUNIT@CPUC.CA.GOV)

Energy Division
Tariff Unit
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

**Re: Supplemental Comments of the California High-Speed Rail Authority
on Draft Resolution E-4886**

Dear Sir or Madam:

As authorized by the Energy Division and pursuant to Rule 14.5 of the Commission's Rules of Practice and Procedure, the California High-Speed Rail Authority (CHSRA) respectfully submits its supplemental comments on Draft Resolution E-4886 (Draft Resolution), which addresses Advice (AL) 5046-E and AL 5139-E submitted by Pacific Gas and Electric Company (PG&E) on April 5, 2017 and September 1, 2017. CHSRA's supplemental comments concern only certain topics raised in the supplemental comments submitted by the Peninsula Corridor Joint Powers Board (JPB) on July 23, 2018.

JPB makes two requests in its supplemental comments. JPB first asks the Commission to approve AL 5046-E and AL 5139-E on the condition that the Commission's approval would not constitute approval of any specific cost allocation or of cost-allocation principles or methodologies to be applied in future proceedings. CHSRA agrees that because the agreements that are the subject of the advice letters require either JPB or CHSRA, respectively, to compensate PG&E initially for the cost it incurs in performing the work called for by the agreements, the work can and should go forward without the need to first decide the details of cost allocation.

Second, JPB asks the Commission to direct PG&E to file a standalone application in 2018 requesting the Commission to address the allocation of the costs of the facilities PG&E will construct for JPB, as specified in the agreement that is the subject of AL 5139-E. CHSRA recognizes that the JPB is closer than CHSRA to commencing construction on its facilities, and CHSRA does not object to JPB's request to address expeditiously the cost allocation for its facilities. However, CHSRA offers several clarifications about this request.

First, cost allocation of the facilities called for in the agreements that are the subject of the advice letters will necessarily be very fact-specific and will depend on the functions the facilities perform and whether the California Independent System Operator or

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PG&E has operational control of the facilities. The costs of identical pieces of equipment could be allocated differently if the equipment performs different functions or if the entity exercising operational control over the equipment is different. The reason that the cost allocation proceeding might take the form of an application, rather than a less formal procedure, is to allow for evidentiary hearings to resolve disputed issues of fact. The facts developed in an application on cost allocation for the JPB facilities will not be identical to those developed for CHSRA's facilities, and the cost allocation the Commission adopts for the JPB facilities should not set a precedent for the cost allocation of CHSRA facilities.

Second, to the extent that the proceeding on JPB's facilities develops principles of cost allocation based on the facts developed in the JPB proceeding, those principles should be reconsidered and refined as appropriate when the facts related to CHSRA's facilities are developed. The JPB proceeding will develop relatively few data points that might not be sufficient to support broad cost-allocation principles, and as more information is provided in a CHSRA proceeding, any broad principles should be refined to reflect that additional information.

Third, some elements of cost allocation are already prescribed in PG&E's tariffs, and cost allocation for facilities covered by tariffs does not require a separate proceeding.¹

Subject to the points raised in these supplemental comments, CHSRA joins JPB in urging the Commission to approve AL 5046-E and AL 5139-E.

Very truly yours,

GOODIN, MACBRIDE,
SQUERI & DAY, LLP



Brian T. Cragg

cc: Service List for Draft Resolution E-4886
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¹ As JPB notes in its supplemental comments (footnote 5), certain of the facilities and their associated costs may be subject to the jurisdiction of the Federal Energy Regulatory Commission.